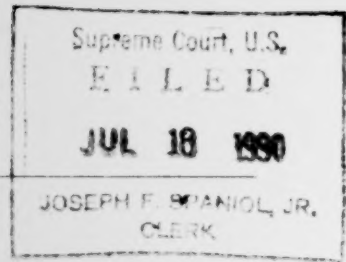


No. .



**In the
Supreme Court of the United States.**

OCTOBER TERM, 1990.

**DUNHAM'S, INC., KINNEY SHOE CORP. AND
HYDE ATHLETIC INDUSTRIES, INC.,
PETITIONERS,**

v.

**MICHAEL J. BADALAMENTI,
RESPONDENT.**

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT.**

**DAVID WOLF,*
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Questions Presented.

1. May a party be sanctioned under Fed. R. Civ. P. 37(d) for an evasive and misleading Rule 34(b) response that the district court found impeded discovery?
2. In view of the conflict among the Federal Circuits as to the proper standard, what constitutes a sanctionable failure to respond under Fed. R. Civ. P. 37(d)?

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PETITIONERS,

v.

MICHAEL J. BADALAMENTI,
RESPONDENT. -

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT.**

Petitioners, Dunham's Inc.,* Kinney Shoe Corp.** and Hyde Athletic Industries, Inc., respectfully pray that a Writ of Certiorari issue to review the Decision of the United States Court of Appeals for the Federal Circuit entered on February 23, 1990 in consolidated appeals Nos. 89-1460 and 89-1528.

* Dunham's Inc. has been succeeded by Dunham's Athleisure Corp., a Delaware corporation. Dunham's Athleisure Corp. is a wholly owned subsidiary of Primerica Corp., One American Lane, Greenwich, Connecticut.

** Kinney Shoe Corporation is a wholly-owned subsidiary of F.W. Woolworth Co., 233 Broadway, New York, N.Y.

Opinions Below.

The opinion below for which review is sought is reproduced in Appendix A of this Petition at pp. 1-31, *Badalamenti v. Dunham's, Inc.*, 13 U.S.P.Q.2d 1967 (Fed. Cir. 1990). Three opinions directly relating to the issue presented in this Petition are reproduced in Appendix B at pp. 32-68, *Badalamenti v. Dunham's, Inc.*, 809 F.2d 789 (Fed. Cir. 1986); *Badalamenti v. Dunham's, Inc.*, 118 F.R.D. 437, 6 U.S.P.Q.2d 1633 (E.D. Mich. 1987) and *Badalamenti v. Dunham's, Inc.*, 125 F.R.D. 445, 12 U.S.P.Q.2d 1223 (E.D. Mich. 1989). The remaining opinions below are reproduced in Appendix C at pp. 69-136. *Badalamenti v. Dunham's, Inc.*, 230 U.S.P.Q. 74 (E.D. Mich. 1986); *Badalamenti v. Dunham's, Inc.*, 680 F.Supp. 256, 6 U.S.P.Q.2d 1626 (E.D. Mich. 1988); and *Badalamenti v. Dunham's, Inc.*, 862 F.2d 322, 12 U.S.P.Q.2d 1222 (Fed. Cir. 1988), *cert. denied*, 109 S.Ct. 1955 (1989).

Jurisdiction.

The United States District Court had original jurisdiction of this matter pursuant to 28 U.S.C. § 1338(a). The decision of the Court of Appeals for the Federal Circuit was entered on February 23, 1990. Petitioner's timely Petition for Rehearing was denied on April 20, 1990. This Petition for Certiorari is being filed within 90 days of that denial. A copy of the Order denying the Petition for Rehearing is printed as Appendix D at pp. 137-138. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Federal Rules Involved.

Rule 34(a) and (b) of the Federal Rules of Civil Procedure state:

Rule 34. Production of Documents and Things and Entry Upon Land for Inspection and Other Purposes

(a) Scope. Any party may serve on any other party a request (1) to produce and permit the party making the request, or someone acting on the requestor's behalf, to inspect and copy, any designated documents (including writings, drawings, graphs, charts, photographs, phono records, and other data compilations from which information can be obtained, translated, if necessary, by the respondent through detection devices into reasonably usable form), or to inspect and copy, test, or sample any tangible things which constitute or contain matters within the scope of Rule 26(b) and which are in the possession, custody or control of the party upon whom the request is served; or (2) to permit entry upon designated land or other property in the possession or control of the party upon whom the request is served for the purpose of inspection and measuring, surveying, photographing, testing, or sampling the property or any designated object or operation thereon, within the scope of Rule 26(b).

(b) Procedure. The request may, without leave of court, be served upon the plaintiff after commencement of the action and upon any other party with or after service of the summons and complaint upon that party. The request shall set forth the items to be inspected either by individual item or by category, and describe each item and category with rea-

sonable particularity. The request shall specify a reasonable time, place, and manner of making the inspection and performing the related acts. The party upon whom the request is served shall serve a written response within 30 days after the service of the request, except that a defendant may serve a response within 45 days after service of the summons and complaint upon that defendant. The court may allow a shorter or longer time. The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated. If objection is made to part of an item or category, the part shall be specified. The party submitting the request may move for an order under Rule 37(a) with respect to any objection to or other failure to respond to the request or any part thereof, or any failure to permit inspection as requested.

A party who produces documents for inspection shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the request.

Rule 37(d) of the Federal Rules of Civil Procedure states:

(d) Failure of Party to Attend at Own Deposition or Serve Answers to Interrogatories or Respond to Request for Inspection. If a party or an officer, director, or managing agent of a party or a person designated under Rule 30(b)(6) or 31(a) to testify on behalf of a party fails (1) to appear before the officer who is to take the deposition, after being served with a proper notice, or (2) to serve answers or objections

to interrogatories submitted under Rule 33, after proper service of the interrogatories, or (3) to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request, the court in which the action is pending on motion may make such orders in regard to the failure as are just, and among others it may take any action authorized under paragraphs (A), (B), and (C) of subdivision (b)(2) of this rule. In lieu of any order or in addition thereto, the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the court finds that the failure was substantially justified or that other circumstances make an award of expenses unjust.

The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order as provided by Rule 26(c).

Statement of the Case.

Petitioners Dunham's Inc., Kinney Shoe Corp. and Hyde Athletic Industries, Inc. (collectively "Hyde") appeal from a decision of the United States Court of Appeals for the Federal Circuit reversing a district court award of sanctions against Respondent Michael J. Badalamenti ("Badalamenti") and his counsel, Ernie L. Brooks, for having submitted false and misleading Rule 34 responses that were found to have impeded discovery.

On April 15, 1985, at the outset of this patent infringement action, Hyde served Badalamenti with a Rule 34 request seeking documents relating to infringement charges and to licensing:

Request No. 10: All communications between plaintiff and other persons, and all other documents and things, relating to infringement, charges of infringement made by plaintiff, and replies to charges of infringement by said other persons, with regard to U.S. Patent 4,335,529.

Request No. 17: All communications between plaintiff and other persons, and all other documents and things, relating to any offer to license U.S. Patent 4,335,529.

On May 20, 1985, Badalamenti served his Rule 34 response, promising to search for and produce "all relevant, non-privileged documents." Rather than respond item-by-item as Rule 34(b) requires, Badalamenti interposed several boilerplate statements to the effect that he would "neither produce nor identify" privileged documents, and that he objected to the production of "documents and things containing confidential information." Badalamenti made no specific response or objection to Requests Nos. 10 and 17, and gave no indication that he possessed any documents falling within those requests.

Badalamenti's Rule 34 response concealed the existence of an April 9, 1985 letter charging Nike Corporation with infringement and offering to enter into a license agreement. He also concealed a 1984 agreement with Nike Corporation affirming that the dealings between them were not confidential. Badalamenti never moved for a protective order and never identified any Nike documents as being confidential or privileged. Badalamenti had also evaded reference to Nike at an earlier deposition.

In April 1987, when discovery resumed after the Court of Appeals had reversed a Summary Judgment of noninfringement, Hyde discovered, through its independent efforts, the existence of relevant Nike prior art. Hyde also discovered that, in a letter of July 26, 1985, Nike had denied Badalamenti's infringement charge, had asserted that his patent was invalid and that Nike did not infringe the patent, and had provided that very prior art to Baldalamenti. The district court later relied upon this prior art in invalidating the patent.

On December 17, 1987, the district court ruled that Badalamenti had violated Rule 37 by failing to disclose or produce any Nike correspondence. The court found the behavior of Badalamenti and his counsel to be "intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules."

On February 19, 1988, the district court granted Hyde's motion for a directed verdict on the ground of obviousness based in part on the Nike prior art. On October 28, 1988, the Federal Circuit affirmed the district court's ruling.

On May 8, 1989, the district court imposed sanctions of \$100,000 under Rule 37(d). The court found that the failure to disclose the ongoing Nike communications constituted "willful bad faith breaches of the Federal Rules of Civil Procedure by both Badalamenti and his counsel."

The Court of Appeals for the Federal Circuit reversed the trial court's decision, ruling that the district court had abused its discretion and that Badalamenti had not violated the Federal Rules of Civil Procedure because "Badalamenti's response was not so evasive and misleading as to constitute a failure to respond." (App. A, pp. 20-21).

Reasons for Granting the Writ.

Rule 37 is the engine that generates "the principal enforcement power behind the array of discovery procedures." Rosenberg, *Sanctions to Effectuate Pretrial Discovery*, 58 Colum. L. Rev. 480, 483 (1958). Litigants must comply with the discovery rules for the federal litigation system to work efficiently and properly. Rule 37 was doubtless intended to be "the exclusive source of authority" to punish evasive non-compliance. *Id.* Rule 37(d) permits the imposition of sanctions upon a party who fails to respond to discovery.

The various federal circuits have not been consistent in determining what constitutes a "failure" to respond under Fed. R. Civ. P. 37(d). Three conflicting standards have been adopted. First, at least four circuits require literal non-compliance (i.e., no written response whatsoever) in order to invoke Rule 37(d) sanctions.¹ Second, at least three circuits interpret "failure" to include a written response that is so "evasive or incomplete" as to be "tantamount to no answer at all."² Third, the Sixth Circuit recently held that conduct that *impedes discovery* "constitutes a failure to comply with discovery within the meaning of Rule 37(d)." *Jackson v. Nissan Motor Corp.*, No. 88-6132 (6th Cir. October 30, 1989) (LEXIS, Genfed library, Courts file).

The federal circuits that impose Rule 37(d) sanctions only when there is literal non-compliance or a response that is "tantamount to no answer at all" defeat the purpose of Rule 37(d)

¹ *Fox v. Studebaker-Worthington Inc.*, 516 F.2d 989 (8th Cir. 1975); *Salahuddin v. Harris*, 782 F.2d 1127 (2d Cir. 1986); *Laclede Gas Co. v. G.W. Warnecke Corp.*, 604 F.2d 561 (8th Cir. 1979); *Fjelstad v. American Honda Motor Co.*, 762 F.2d 1334 (9th Cir. 1985); *Minnesota Mining & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256 (Fed. Cir. 1985).

² *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F.2d 145 (7th Cir. 1976); *Fautek v. Montgomery Ward & Co.*, 96 F.R.D. 141 (N.D. Ill. 1982); *Basch v. Westinghouse Elec. Corp.*, 777 F.2d 165 (4th Cir. 1985); *Black Panther Party v. Smith*, 661 F.2d 1243 (D.C. Cir. 1981).

sanctions. Those circuits, by failing to punish those who impede discovery, encourage evasive and misleading responses. Such interpretations fail "to secure the just, speedy, and inexpensive determination of every action." Fed. R. Civ. P. 1.

Rule 37(d) has a widespread and increasing impact on the judicial system.³ Rule 37(d) should be applied with uniformity among the circuits.

This Court should grant a Petition for Certiorari to ensure that Rule 37(d) is applied uniformly and consistently with the stated purposes of the Federal Rules of Civil Procedure.

³The number of appellate cases dealing with Fed. R. Civ. P. 37(d) has steadily increased over the last ten years, as shown by a recent LEXIS® search by counsel. The search identified approximately 75 circuit court cases and 222 district court cases resulting in published opinions involving Rule 37(d) since 1970. Approximately 50% of these cases have occurred within the past 5 years. District courts routinely encounter issues relating to Rule 37(d) in far more decisions than those reported.

Conclusion.

For the foregoing reasons, this Court should grant a Writ of Certiorari to review the judgment of the Court of Appeals for the Federal Circuit in consolidated appeals 89-1460 and 89-1528 below.

Respectfully submitted,

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APPENDIX A

Court of Appeals, Federal Circuit

Badalamenti v. Dunham's Inc.

Nos. 89-1460, -1528

Decided February 23, 1990

Appeal from the U.S. District Court
for the Eastern District of Michigan,
Feikens, J.; 12 USPQ2d 1223.

Action by Michael J. Badalamenti
against Dunham's Inc., Kinney Shoe
Corp., and Hyde Athletic Industries
Inc. for infringement of patent no.
4,335,529 (traction device for running
shoes). From federal district court
decision awarding sanctions against
plaintiff, plaintiff appeals, and
defendants cross-appeal denial of their
motion for attorney's fees. Reversed
in part, vacated in part, and remanded.

Prior decisions: 230 USPQ 74, 6

USPA2d 1626, 6 USPQ2d 1633, 12 USPQ2d 1222.

Ernie L. Brooks, of Brooks & Kushman (Earl J. LaFontaine, of counsel), Southfield, Mich., for plaintiff-appellant.

David Wolf, of Wolf, Greenfield & Sacks, (John L. Welch, on brief), Boston, Mass., for defendants/cross-appellants.

Before Bennett, senior circuit judge, Archer, circuit judge, and Re, chief judge (U.S. Court of International Trade, sitting by designation).

Bennett, J.

These consolidated appeals are from the May 8, 1989 order of the District Court for the Eastern District of Michigan, Southern Division, awarding the defendants (collectively "Hyde")

\$100,000 as sanctions against the plaintiff (Badalamenti) and his attorney, Ernie L. Brooks (Brooks), for a discovery violation. In the same order, the district court also denied Hyde's motion for attorney fees pursuant to the exceptional case statute, 35 U.S.C. §285 (1982). Badalamenti has appealed the award of sanctions, and Hyde has appealed the denial of its motion for attorney fees. We reverse the award of sanctions, vacate the denial of the motion for attorney fees, and remand.

BACKGROUND

A. The Procedural History

Badalamenti sued Hyde for infringement of Badalamenti's U.S. Patent No. 4,335,529, for a traction device for shoes. The district court

granted summary judgment for the defendants in February 1986, holding that there was no literal infringement and that the doctrine of prosecution history estoppel prevented a finding of infringement under the doctrine of equivalents. Badalamenti v. Dunham's, Inc., 230 USPQ 74 (E.D. Mich. 1986). This court vacated and remanded in an unpublished opinion. Badalamenti v. Dunham's, Inc., 809 F.2d 789 (Fed. Cir. 1986) (Table, No. 86-1024).

In conducting discovery after the remand, Hyde determined that Badalamenti had withheld certain documents during previous discovery. Hyde moved under Fed.R.Civ.P. 37(d) for sanctions, including dismissal with prejudice and attorney fees and costs. In a Memorandum Opinion of December 17,

1987, the district court held that a discovery violation had occurred and that sanctions should be imposed. Badalamenti v. Dunham's, Inc., 118 F.R.D. 437, 6 USPQ2d 1633 (E.D. Mich. 1987). The court denied the motion to dismiss and took the amount of monetary sanctions under consideration.

Subsequently, a jury trial on the merits took place. Hyde moved for a directed verdict on the issue of patent validity. The district court granted the motion, holding that the patent was invalid for obviousness under 35 U.S.C. §103. Badalamenti v. Dunham's, Inc., 680 F.Supp. 256, 6 USPQ2d 1626 (E.D. Mich. 1988). The court relied in part on certain prior art documents included in the material Badalamenti had withheld from earlier discovery. This court

affirmed the obviousness determination in an opinion designated as unpublished. Badalamenti v. Dunham's, Inc., 862 F.2d 322, 12 USPQ2d 1222 (Fed. Cir. 1988) (No. 88-1356), cert. denied, 109 S.Ct. 1955 (1989).

On May 8, 1989, the district court entered the appealed order, sanctioning Badalamenti and Brooks jointly and severally in the amount of \$100,000. Badalamenti v. Dunham's, Inc., 125 F.R.D. 445, 12 USPQ2d 1223 (E.D. Mich. 1989).

B. The Alleged Discovery Violation

Soon after the lawsuit was filed, Hyde served a notice of deposition, which included a request under Fed.R.Civ.P. 30(b)(5) for the production of documents in a number of categories. Among the categories were documents

directed to communications between Badalamenti and third parties relating to infringement charges by the plaintiff, replies to such charges, and offers to license the '529 patent. Badalamenti timely filed a response to the document requests. His response included a general objection, in which he objected to the production of documents containing confidential information. The objection further stated the Badalamenti would only produce confidential information pursuant to a protective order limiting the disclosure of such information to that necessary to Hyde in its defense of the action. Badalamenti's response to the document requests went on to state that responsive documents would be produced, subject to the general

objections. He subsequently produced documents responsive to the requests, withholding certain documents he deemed confidential.

At the time the documents were produced, Badalamenti had twice written Nike, Inc., accusing it of infringing the '529 patent and offering a nonexclusive patent license. Nike later wrote back calling attention to three prior art documents that Nike asserted invalidated the Badalamenti patent. Badalamenti then terminated discussions with Nike. The district court found that the Nike-related documents clearly fell within the categories of documents requested by Hyde.

Badalamenti did not produce the Nike documents when they were

requested. In addition, at the deposition, Brooks instructed Badalamenti not to answer questions relating to "current contacts" with third parties in the absence of a protective order.

Later, Hyde independently discovered from Nike the existence of the correspondence between Badalamenti and Nike. Badalamenti then produced the documents, some two years after they were requested. In support of the motion for sanctions under Fed.R.Civ.P. 37(d), Hyde argued that if Badalamenti had produced the documents when requested, Hyde would have learned of the Nike prior art much earlier and would have moved for summary judgment of invalidity when it moved for summary judgment of noninfringement. According

to Hyde, the district court would have held the patent invalid, as it later did, and Hyde would have avoided the expenses of a trial on the merits.

The district court granted Hyde's motion. 118 F.R.D. 437, 6 USPQ2d 1633. The court found that Badalamenti's failure to produce the requested documents without seeking a protective order violated the Federal Rules of Civil Procedure. The court stated that Hyde did not have the burden of seeking to compel the production of the documents because Badalamenti had failed to object to the discovery request. According to the court, Badalamenti did not notify Hyde that any documents sought were being withheld. The court characterized the plaintiff's argument that he had served

a written response as "semantic." The court stated that while some cases hold that Rule 37(d) applies only where there is a "total failure to respond," the majority view is that 37(d) sanctions should be imposed on a party whose evasive and incomplete responses impede discovery. The district court subsequently found that a \$100,000 sanction reflected a just portion of the defendants' reasonable expenses caused by Badalamenti's discovery violation. 125 F.R.D. at 448, 12 USPQ2d at 1226.

OPINION

I.

A district court has broad discretion in issuing sanctions for violations of the discovery rules. National Hockey League v. Metropolitan

Hockey Club, Inc., 427 U.S. 639, 643 (1976). The decision is reviewable only to determine whether the court abused its discretion. Western Elec. Co. v. Piezo Technology, Inc., 860 F.2d 428, 430, 8 USPQ2d 1853, 1855 (Fed. Cir. 1988). An abuse of discretion may be found when (1) the court's decision is clearly unreasonable, arbitrary or fanciful; (2) the decision is based on an erroneous conclusion of the law; (3) the district court's findings are clearly erroneous; or (4) the record contains no evidence upon which the district court rationally could have based its decision. Id.

This case presents a procedural issue not unique to patent law. Therefore, the law of the regional circuit out of which the case is

brought controls, which in this case is the Sixth Circuit. Panduit Corp. v. All States Plastic Mfg. Co., 774 F.2d 1564, 1574-75, 223 USPQ 465, 471 (Fed. Cir. 1984). When the regional circuit court has spoken on a legal issue, we must apply the law as stated; if the regional circuit court has not spoken, we must predict how that court would decide the issue in light of such criteria as the decisions of that circuit's district courts, other circuits' decisions, and public policy. Id. at 1575, 223 USPQ at 472.

A party served with a document request under Rule 30(b)(5) or Rule 34 is required to respond. "The response shall state, with respect to each item or category, that inspection and related activities will be permitted as

requested, unless the request is objected to, in which event the reasons for objection shall be stated." Fed.R.Civ.P. 34(b).

Rule 37 authorizes a court to award sanctions for discovery abuses. Rule 37(b) provides for sanctions where a party fails to comply with a discovery order. The district court in this case acknowledged that sanctions under this subdivision were unavailable because there was no discovery order that was violated. 118 F.R.D. at 439, 6 USPQ2d at 1634. Sanctions are also available under Rule 37(d) if a party fails to respond to discovery. The conduct addressed by Rule 37(d) pertinent to this case is the failure of a party "to serve a written response to a request for inspection submitted under Rule 34,

after proper service of the request." Fed.R.Civ.P. 37(d) (emphasis added). Rule 37(d) further provides, "The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order as provided by Rule 26(c)."

The plain terms of the rules of civil procedure show that a party served with a document request has four options:

(1) respond to the document request by agreeing to produce documents as requested (Fed.R.Civ.P. 34(b));

(2) respond to the document request by objecting (Fed.R.Civ.P. 34(b));

(3) move for a protective order (Fed.R.Civ.P. 26(c) and 37(d)); or

(4) ignore the request.

If the party chooses the last option, he is subject to sanctions under Rule 37(d). However, if the party responds to the document request, even if he responds by objecting, Rule 37(d) sanctions are not available.

[1] In this case, it cannot be disputed that Badalamenti served a response to Hyde's document requests in which he (1) objected to producing confidential information in the absence of a protective order and (2) agreed to produce the requested documents subject to the objection. Badalamenti served a response as required by Rule 34. Thus, Rule 37(d) does not authorize an award of sanctions in this case.

The district court erred as a matter of law in holding that

Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order. See 118 F.R.D. at 439, 6 USPQ2d at 1634; see also 125 F.R.D. at 446, 12 USPQ2d at 1224. In that ruling, the district court exceeded its discretion. The provision of Rule 37(d) relating to the failure to seek a protective order is applicable only where a party fails to act as described in the subdivision; that is, where the party fails to serve a response.

The district court justified its award of sanctions by relying on "the majority view" of Rule 37(d) that sanctions may be imposed where evasive or incomplete responses impede discovery. 118 F.R.D. at 439, 6 USPQ2

at 1635. Several courts hold that Rule 37(d) does not authorize an award of sanctions unless there is a total failure to respond to the discovery request. See Fox v. Studebaker-Worthington, Inc., 516 F.2d 989, 995 (8th Cir. 1975); Fjelstad v. American Honda Motor Co., 762 F.2d 1334, 1339-40 (9th Cir. 1985); Southard v. Pennsylvania R.R., 24 F.R.D. 456 (E.D. Pa. 1959). Other courts award sanctions under Rule 37(d) where the evasive or misleading response is tantamount to no response at all. See Airtex Corp. v. Shelley Radiant Ceiling Co., 536 F.2d 145, 155 (7th Cir. 1976); Bell v. Automobile Club of Michigan, 80 F.R.D. 228, 232 (E.D. Mich. 1978), appeal dismissed, 601 F.2d 587 (6th Cir.), cert. denied, 442 U.S. 918

(1979); Fautek v. Montgomery Ward & Co., 96 F.R.D. 141 (N.D. Ill. 1982). See also Minnesota Mining & Mfg. Co. v. Eco Chem, Inc., 757 F.2d 1256, 1260, 225 USPQ 350, 352-53 (Fed. Cir. 1985) (rejecting the argument that interrogatory answers stating "unable to respond" was a response by which the party could avoid the sanction provisions of Rule 37(d).

The Sixth Circuit has not spoken on this issue. The leading case of the Sixth Circuit is Bell, 80 F.R.D. 228 (E.D. Mich. 1978). In Bell, the plaintiff served an interrogatory requesting identification of documents concerning racial data on the defendants' work force. The defendants represented that the only source of race information would be to telephone

or visit employees listed on thousands of cardex cards. In fact, the defendants had compiled a "book of blacks" which contained the information sought by the plaintiffs. The court found that the defendants' responses were clear misrepresentations. Id. at 231. The court held that it had authority to sanction the plaintiffs under Rule 37(d) because the interrogatory answers the defendants gave were so misleading and evasive as to constitute a failure to answer. Id. at 232.

In this case, we need not decide whether the Sixth Circuit would adopt the broad construction of Rule 37(d). Even if the rule set forth in Bell is the law in the Sixth Circuit, it does not apply in this case. Badalamenti's

response was not so evasive and misleading as to constitute a failure to respond. Badalamenti informed Hyde he was objecting to producing confidential documents except under a protective order. He also informed Hyde he would produce documents subject to the objection. Unlike Bell, there has been no clear misrepresentation that requested documents did not exist. Also, in all of the cases adopting the broad construction of Rule 37(d), the sanctioned party withheld information from discovery with no justification. In this case, Badalamenti objected on the basis of confidentiality.

Hyde argues on appeal that Badalamenti's response was misleading as to the very existence of the

documents and that Hyde had no reason to move to compel production because it had no reason to know that Badalamenti was withholding information. However, Hyde knew that Badalamenti objected to producing confidential information. In addition, Hyde knew that Badalamenti was instructed not to answer deposition questions concerning "current contacts" but that he was willing to enter into a stipulated protective order. If Hyde wanted clarification of the objection or production of documents, it could have moved to compel under Rule 37(a) or stipulated to the protective order suggested by Badalamenti. Once Badalamenti complied with Rule 34 and made his initial response, the burden shifted to Hyde to move to compel if it deemed the responses inadequate. See

4A J. Moore & J. Lucas Moore's Federal Practice §37.05 at 37-119 to 37-121 (1989).

Hyde also argues on appeal that Badalamenti improperly characterized his Nike contacts as confidential. In support of this argument, Hyde refers to a letter agreement that Nike apparently requires all of its solicitors to sign, which provides that disclosure of any idea to Nike is not made in confidence or on the basis of a confidential relationship. Hyde also cites correspondence between Badalamenti and New Balance in which Badalamenti stated that he was "speaking with Nike." The district court did not consider the merits of Badalamenti's confidentiality objection when it sanctioned him. See Fjelstad,

762 F.2d at 1339-40. Indeed, the district court inexplicably stated that Badalamenti "failed to object to defendants' discovery request." 118 F.R.D. at 439, 6 USPQ2d at 1635. In any event the evidence Hyde cites does not demonstrate that the communications between Badalamenti and other shoe companies were not confidential to other parties (such as Hyde), even if there was no "confidential relationship" that could give rise to liability if a company appropriated Badalamenti's ideas.

Finally, Hyde argues that the district court has the inherent authority to sanction Badalamenti for discovery violations, even if there is no authority under Rule 37(d). However, as discussed above,

Badalamenti's response complied with the discovery rules. In addition, he did not clearly misrepresent the existence of the documents withheld. In this case, where there has been no discovery violation or abuse, the district court went beyond its inherent authority in sanctioning Badalamenti for his conduct. See Fjelstad, 762 F.2d at 1338.

The district court abused its discretion in ruling that Badalamenti had violated the discovery rules. As a matter of law, Badalamenti's response to the document requests complied with the rules, and the district court had no authority to sanction Badalamenti or his attorney, Brooks. Therefore, we reverse the award of sanctions.

Hyde's cross-appeal is from the district court's denial of its motion for attorney fees under 35 U.S.C. §285. Section 285 provides that the court may award reasonable attorney fees to the prevailing party in exceptional cases. Hyde has argued that Badalamenti's misconduct throughout the proceeding demonstrated that the case was exceptional and that an award of attorney fees was warranted. Badalamenti in turn argued that it committed no misconduct and that the district court did not err in finding that the case was not exceptional and in not awarding attorney fees.

[2] The district court did not make any findings on the exceptional case issue and did not explain the basis for its denial of Hyde's request

for attorney fees. Therefore, we are unable to review the decision of the district court on this issue. We vacate that portion of the judgment denying an award of attorney fees and remand for findings on the exceptional case issue as well as subsidiary findings reflecting the court's reasons underlying its exercise of discretion in awarding or denying attorney fees in light of its findings. A remand in this case is unfortunate; however, neither party apparently gave the district court the opportunity to expand or clarify its decision respecting attorney fees. See Fromson v. Western Litho Plate & Supply Co., 853 F.2d 1568, 1572, 7 USPQ2d 1606, 1610 (Fed. Cir. 1988). The finding of "exceptional case" is one of fact, and

must be made in the first instance by the district court. Id. at 1573, 7 USPQ2d at 1611. See also S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc., 781 F.2d 198, 201, 228 USPQ 367, 369 (Fed. Cir. 1986).

Our decision should in no way be construed as suggesting that the case should be found exceptional. The purpose of section 285 "is to provide discretion where it would be grossly unjust that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear." J.P. Stevens Co. v. Lex Tex Ltd., 822 F.2d 1047, 1052, 3 USPQ2d 1235, 1239 (Fed. Cir. 1987) (emphasis in original). Hyde has the burden of proving by clear and convincing evidence that this is an exceptional case. Reactive Metals &

Alloys Corp. v. ESM, Inc., 769 F.2d 1578, 1582, 226 USPQ 821, 824 (Fed. Cir. 1985). As we have repeated "[t]here must be some finding of unfairness, bad faith, or inequitable conduct on the part of the unsuccessful patentee." Stevenson v. Sears, Roebuck & Co., 713 F.2d 705, 713, 218 USPQ 969, 976 (Fed. Cir. 1983); Advance Transformer Co. v. Levinson, 837 F.2d 1081, 1085, 5 USPQ2d 1600, 1603 (Fed. Cir. 1988). The primary basis for Hyde's request for attorney fees was the alleged discovery abuse. As we have held above, there was no discovery violation, and so this aspect of the exceptional case issue is no longer in question.

In addition, even if the case is found to be exceptional, the district

court in its discretion may decline to award attorney fees. As we stated in Gardco Mfg., Inc. v. Herst Lighting Co., 820 F.2d 1209, 1215, 2 USPQ2d 2015, 2020 (Fed. Cir. 1987), "[a]fter the district court determines that a case is exceptional, there remains in every case its freedom to exercise its discretion 'informed by the court's familiarity with the matter in litigation and the interest of justice.'" (Quoting S.C. Johnson, 781 F.2d at 201, 228 USPQ at 369.) See also Beckman Instruments, Inc. v. LKB Produkter AB, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

COSTS

Hyde shall bear the costs of both appeals.

REVERSED-IN-PART, VACATED-IN-

PART, AND REMANDED.

APPENDIX B1

809 F.2d 789

Decisions Without Published Opinions

United States Court of Appeals

for the Federal Circuit

Title: Badalamenti v. Dunham's, Inc.

Docket Number: 86-1024

Date: 12/18/86

Disposition: Vacated and Remanded

Appeal from and Citation: DCT

APPENDIX B2

Michael J. BADALAMENTI, Plaintiff,

v.

DUNHAM'S, INC., Kinney Shoe
Corporation, and Hyde Athletic
Industries, Inc., Defendants.

Civ. A. No. 85-71040

United States District Court,

E.D. Michigan, S.D.

Dec. 17, 1987

Following remand in patent
infringement action 809 F.2d 789
(unpublished opinion), alleged
infringer filed motion for dismissal
with prejudice and for attorney fees
and costs. The District Court,
Feikens, J., held that attorney fees
would be assessed against patentee in
patent infringement action for failing
to comply with alleged infringer's

discovery request.

Petition taken under advisement.

Ernie L. Brooks, Robert C.J. Tuttle, Brooks & Kushman, Southfield, Mich., for plaintiff.

Ronald L. Hofer, Harness, Dickey & Pierce, Birmingham, Mich., for defendants; David Wolf, John L. Welch, Wolf, Greenfield & Sacks, P.C., Boston, Mass., of counsel.

MEMORANDUM OPINION

FEIKENS, District Judge.

Plaintiff brought this action against defendants for infringement of his patent, a device for shoes designed to aid traction for quick turns or cuts during outdoor athletic activity.

On February 4, 1986, I entered a Memorandum Opinion granting defendants' motion for summary judgment. I held

that there was no literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. Badalamenti v. Dunham's, Inc., No. 85-71040, mem. op. at 3-6 (E.D. Mich. Feb. 4, 1986) [available on WESTLAW, 1986 WL 8785].

The United States Court of Appeals for the Federal Circuit reversed, based on my application of file wrapper estoppel, and remanded for determination of "fact questions which must be resolved in order to construe the claims and to determine whether prosecution history estoppel is applicable." Badalamenti v. Dunham's, Inc., Nos. 86-1024 and 86-1064, slip op. at 5-6 (Fed. Cir. Dec. 18, 1986) [809 F.2d 789 (table)].

In conducting discovery after remand, defendants discovered that plaintiff had negotiated with Nike (a manufacturer of athletic shoes) regarding possible prior art by Nike. Plaintiff disclosed documents relating to the "Nike talks" in May, 1987 -- after defendants learned of the talks from Nike officials. Defendants claim that plaintiff should have produced the documents in response to a request for production of documents filed two years earlier. Defendants filed a Rule 37 motion for dismissal with prejudice and for attorney fees and costs.

After an evidentiary hearing, I granted defendants' motion as to costs and attorney fees but denied it as to dismissal. Before me now is defendants' Petition for an Award of Attorney Fees

and Costs of \$154,527.23.

From March through August, 1985, plaintiff's current counsel communicated with Nike. Initially, plaintiff's counsel charged that some of Nike's shoes infringed plaintiff's patent and offered to license Nike. Nike responded that its shoes had been on the market more than a year before plaintiff obtained his patent and that such shoes (as well as other prior art) invalidated plaintiff's patent. After receiving Nike's response, plaintiff's counsel terminated discussions with Nike.

On April 15, 1985, defendants noticed plaintiff's deposition for May 10, 1985. In the body of the notice is a request "to produce for inspection and copying, immediately prior to said

deposition, ... the documents and things identified in Schedule A hereto." Within Schedule A are the following two relevant requests:

Request #10: All communications between plaintiff and other persons, and all other documents and things, relating to infringement, charges of infringement made by plaintiff and replies to charges of infringement by said other persons, with regard to U.S. Patent 4,335,529.

Request #17: All communications between plaintiff and other persons, and all other documents and things, relating to any offer to license U.S. Patent 4,335,529.

On May 21, 1985, plaintiff filed a response in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987.

Plaintiff never moved for a protective order regarding the Nike documents.

Plaintiff's counsel argues that he had no obligation to file for a protective order and that he complied fully with the Federal Rules of Civil Procedure regarding discovery.

[1] I find that a party's failure to disclose or produce material sought in a proper discovery request, without seeking a protective order, violates the Federal Rules of Civil Procedure.

[2.3] Defendants bring their motion under Fed.R.Civ.P. 37(b). That rule is inapplicable here because it engages only where a party "fails to obey an order to provide or permit discovery...." Here, there was no court order compelling plaintiff to answer Requests 10 and 17. I have

inherent authority, and responsibility, however, to impose sanctions whenever necessary to enforce adherence to the Federal Rules of Civil Procedure. Cf. Herbert v. Lando, 441 U.S. 153, 157, 99 S.Ct. 1635, 1639, 60 L.Ed. 2d 115 (1979); United States v. American Telephone & Telegraph Co., 86 F.R.D. 603, 656 (D.D.C. 1980).

The applicable Federal Rules of Civil Procedure are Rules 34(b) and 37(d). Rule 34(b) states:

The response [to a request for production of documents] shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated. If objection is made to part of an item or category, the part shall be specified.

[4] Plaintiff relies on language

in Rule 34(b) that allows "the party submitting the request" to move the court, pursuant to Rule 37(a), for an order compelling discovery "with respect to any objection to or other failure to respond to the request...." Plaintiff argues this language places on the party seeking discovery the burden of obtaining a court order to secure documents arguably within its discovery request.

Plaintiff forgets that he failed to object to defendants' discovery request. Defendants never inherited the burden of obtaining a court order to compel discovery because plaintiff did not properly notify defendants that any documents sought were being withheld.

Rule 37(d) provides for the imposition of "such orders ... as are

just" to punish "a party [who] fails ... to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request...." Alternatively, or in addition, "the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure...." Fed.R.Civ.P. 37(d).

[5] Plaintiff's claim that he served "a written response" to defendants' request pursuant to Rule 37(d) is semantic. While there are some cases holding that Rule 37(d) applies only to "total failure to respond," e.g., Fox v. Studebaker-Worthington, Inc., 516 F.2d 989, 995 (8th Cir. 1975), the majority view is

that Rule 37(d) sanctions should be imposed on a party whose evasive or incomplete answers to proper interrogatories impede discovery. Bell v. Automobile Club of Michigan, 80 F.R.D. 228, 232 (1978) (Joiner, J.), Airtex Corp. v. Shelley Radiant Ceiling Co., 536 F.2d 145, 155 (7th Cir. 1976).

[6] Plaintiff argues he was not obligated to disclose the Nike discussions because they are privileged. Plaintiff cannot now be heard to assert privilege when he failed to do so in response to the original request for production. The plain language of the last paragraph of Rule 37(d), added by the 1970 amendment, commands this conclusion:

The failure to act described in this subdivision may not be excused on the ground that the discovery

sought is objectionable unless the party failing to act has applied for a protective order....

A contrary rule would frustrate the purposes of discovery. A party could effectively avoid discovery by furnishing all "non-privileged" material while withholding, and failing to disclose the existence of, material which he subjectively deems "privileged."

[7] Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective

order. Such behavior is intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.

Defendants argue that had plaintiff disclosed and produced the Nike documents in 1985, the whole course of this litigation would have changed. Defendants suggest they would have deposed the Nike officials and made a meritorious motion for summary judgment, or that the United States Court of Appeals for the Federal Circuit would have had all the necessary facts before it to dispose of the matter without remanding it here. They move for all costs and attorney fees incurred between May 20, 1985 and May 15, 1987.

For the foregoing reasons I am of the opinion that costs and attorney fee

sanctions against plaintiff and plaintiff's counsel, pursuant to Rule 37(d), should be imposed.

Defendant's effort to secure all costs and attorney fees incurred following plaintiff's failure to disclose the Nike talks is premature. For defendants to recover the entire award they seek, a jury must first determine that the Nike art was prior to plaintiff's patent and that it invalidated plaintiff's patent.¹

Without such a jury finding, defendants cannot prove that disclosure and/or production would have changed the course of this litigation.

1. I will pose a special jury question to this effect.

Accordingly, Defendants' Petition for an Award of Attorney Fees and Costs is TAKEN UNDER ADVISEMENT until after the jury verdict in this case.

APPENDIX B3

Michael J. BADALAMENTI, Plaintiff

v.

DUNHAM'S, INC., Kinney Shoe
Corporation, and Hyde Athletic
Industries, Inc., Defendants.

Civ. A. No. 85-71040.

United States District Court,

E.D. Michigan, S.D.

May 8, 1989.

Alleged patent holder brought action for infringement of patent for traction device for shoes. Alleged infringers filed motion for discovery sanctions. The District Court, Feikens, J., held that failure of holder and his attorney to disclose discussions with potential licensee in response to request for production of documents warranted discovery sanction of \$100,000.

Motion granted.

Ernie L. Brooks, Robert C.J. Tuttle, Brooks & Kushman, Southfield, Mich., for plaintiff.

Ronald L. Hofer, Harness, Dickey & Pierce, Birmingham, Mich., for defendants; David Wolf, John L. Welch, Wolf, Greenfield & Sacks, P.C., Boston, Mass., of counsel, for defendants.

MEMORANDUM OPINION

AND ORDER

FEIKENS, District Judge.

Plaintiff initiated this patent infringement case on March 7, 1985, alleging defendants had violated his patent for a "traction device for shoes." U.S. Patent No. 4,335,529, issued June 22, 1982. I granted summary judgment for the defendants on February 4, 1986. I held that there was no

literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. Badalamenti v. Dunham's, Inc., No. 85-71040, mem. op. at 3-6, 1986 WL 8785 (E.D. Mich. Feb. 4, 1986). The United States Court of Appeals for the Federal Circuit reversed and remanded for the determination of certain facts. Badalamenti v. Dunham's, Inc., 809 F.2d 789 (Fed. Cir. 1986).

I. Discovery Violation

[1] While conducting discovery after remand, defendants found that plaintiff had omitted information defendants had requested in discovery before summary judgment. I held an evidentiary hearing on defendants' resulting motion for dismissal with

prejudice, and for attorney's fees and costs. In my Memorandum Opinion of December 17, 1987, I held that under Rule 37(d) of the Federal Rules of Civil Procedure, sanctions should be imposed against plaintiff and plaintiff's attorney. Badalamenti v. Dunham's, Inc., 118 F.R.D. 437 (E.D.Mich. 1987). I denied the motion to dismiss.

I will briefly reiterate the basis for my decision to impose Rule 37(d) sanctions upon plaintiff and his attorney. In April, 1985, defendants noticed Badalamenti's deposition. This notice requested the production of, inter alia, all communications between plaintiff and other persons, and all other documents, relating to infringement charges by plaintiff,

replies to such charges, and offers to license Badalamenti's patent. See Badalamenti v. Dunham's, Inc., id. at 438-439. Despite this discovery request, and similar deposition questions, plaintiff did not disclose the fact that he was in the midst of negotiations with Nike at that time.

From March to August of 1985, plaintiff, through his current counsel, negotiated with Nike, Inc. ("Nike"). He charged that Nike infringed his patent, and offered to license Nike. When Nike responded that its shoes, as well as other prior art, invalidated Badalamenti's patent, plaintiff's counsel terminated discussions with Nike and no longer pressed Badalamenti's patent claims. Badalamenti, supra, 118 F.R.D. at 438. Badalamenti did not

produce this correspondence with Nike, as defendants requested. At his May 10, 1985 deposition, Badalamenti repeatedly refused to answer questions regarding his negotiations, on the advice of his counsel, Ernie L. Brooks.

Deposition of Michael J. Badalamenti at 80-83, attached as Exhibit Q to Defendants' Motion for Dismissal with Prejudice and for Attorney's Fees Pursuant to Rule 37, Fed.R.Civ.P.

Plaintiff did not disclose these discussions with Nike, or produce the documents bearing on them, until two years later, after defendants had independently discovered the Nike negotiations. Plaintiff and his attorney violated the Federal Rules of Civil Procedure when:

On May 21, 1985, plaintiff

filed a response [to defendants' request for production of documents] in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987. Plaintiff never moved for a protective order regarding the Nike documents.

Badalamenti, supra, 118 F.R.D. at 439.

I find that these failures to disclose the ongoing Nike communications constituted willful bad faith breaches of the Federal Rules of Civil Procedure by both Badalamenti and his counsel. As I stated in my previous opinion:

Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective order. Such behavior is intolerable because it

defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.

Badalamenti, supra, 118 F.R.D. at 440.

Therefore, I hold Badalamenti and his counsel, Brooks, jointly and severally liable for Rule 37(d) sanctions, as contemplated by the language of that rule. Cf. Roadway Express, Inc. v. Piper, 447 U.S. 752, 766, 100 S.Ct. 2455, 2464, 65 L.Ed.2d 488 (1979) (In discussing the Court's inherent powers, the Court stated, "If a court may tax counsel fees against a party who has litigated in bad faith, it certainly may assess those expenses against counsel who wilfully abuse judicial process." Footnote and citation omitted.)

II. Directed Verdict

Although I held on December 17, 1987 that Rule 37(d) sanctions should be imposed, I took the issue of the amount of sanctions under advisement until after the impending jury trial. On January 21, 1988, I directed a verdict for the defendants. Badalamenti v. Dunham's, Inc., 680 F.Supp. 256 (E.D.Mich. 1988). This directed verdict was affirmed on appeal. The information plaintiff withheld regarding the Nike patents contributed to my decision to direct a verdict for defendants based on the obviousness of plaintiff's patent.

In directing this verdict, I found that plaintiff's device failed to meet a condition of patentability contained in 35 U.S.C. §103, nonobviousness. This statute states in relevant part that:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter are such that the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains....

35 U.S.C. §103.

I held that given the prior art contained in Nike's patents, as well as in four other patents, the differences between this prior art and Badalamenti's device would have been obvious to one reasonably skilled in this art at the time of Badalamenti's invention. Badalamenti, supra. Plaintiff's claimed invention was an angled traction surface composed of nubs for athletic shoes. Id. at 261. "The traction

surfaces are located above the bottom of the sole at an acute angle to it and are located along both sides of the shoe from the forward portion of the heel to the toe area. They provide traction when the shoe is rotated horizontally." Id.

In granting the directed verdict, I stated that, "[t]he single most relevant prior art is the Bowerman patent. The differences between the Bowerman patent and the plaintiff's invention are minimal or nonexistent." Id. at 263. However, the differences between the Nike patents and Badalamenti's device were also negligible:

The Nike shoes show an angled traction device on the side of the shoes which provides traction when the shoe is rotated.... The cleats on the wrapped portion of the sole provide traction when the shoe is rotated as the person changes

direction. Both plaintiff's expert witnesses, Ali and Montgomery, testified on cross-examination that the Astro-grabber [a Nike patent] provides traction when the shoe is rotated laterally (citation omitted).

Id. at 262.

While the information which plaintiff withheld regarding the Nike patents was not the sole basis of my directed verdict, it went directly to the issue of obviousness. Plaintiff concealed information bearing directly on the validity of his patent, the basis of his suit.

III. Rule 37(d) Sanctions

On January 30, 1989, after the directed verdict was affirmed, I held another hearing on the amount of Rule 37(d) sanctions to be imposed. I now take up this issue of the amount of Rule 37(d) sanctions to impose, jointly

and severally, upon plaintiff Badalamenti and his attorney, Ernie L. Brooks.

In relevant part, Rule 37(d) provides:

In lieu of any order or in addition thereto, the court shall require the party filing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure unless the court finds that the failure was substantially justified or that the other circumstances make an award of expenses unjust.

I must now decide what part of defendants' reasonable expenses were caused by plaintiff's failure to disclose the Nike correspondence. Defendants submitted the affidavit of their attorney, David Wolf, along with detailed information regarding their costs in this case. Wolf asserted that defendants would have incurred no

expenses after January 1, 1987 if plaintiff had disclosed the Nike information when requested. Affidavit of David Wolf at 4. Wolf assumed that defendants would have moved for summary judgment on the basis of the Nike prior art, rather than on the doctrine of equivalents; that I would have granted such a motion; and that this grant would have been affirmed at approximately the same time the actual grant was reversed. Defendants seek all expenses incurred after January 1, 1987, approximately \$348,220. Id. at 7. This figure includes defendants' costs through November, 1988.

In his response to Wolf's affidavit, Badalamenti conceded only that defendants were entitled to the fees they incurred in their own

investigation of the Nike communication,
"something less than \$175."

Badalamenti's Response to the December 18, 1988 Affidavit of David Wolf at 5. Badalamenti argued that defendants did not move for summary judgment when they received the Nike information, so I should not credit Wolf's hypothesis about what would have happened. Plaintiff also urged me not to exercise my discretion to include defendants' costs of bringing this Rule 37 motion in this sanction. Id. at 6.

Subsequently plaintiff argued that I should only consider the expenses incurred by defendants after January 1, 1987, and before April 22, 1987, approximately \$44,449. Plaintiff's Memorandum as to Amount of Award at 3-4. Plaintiff reasoned that

defendants did not seek expenses incurred before January 1, 1987 and the omission did not cause further expense after defendants independently discovered the Nike correspondence on April 22, 1987. Id.

Plaintiff further argued that I should not even assess the \$44,449. Badalamenti asserted that to award any expenses incurred after January 1, 1987, I would have to conclude that I would have granted summary on the basis of the Nike prior art alone. Id. at 4-5. Badalamenti argued that because it is impossible to determine what would have happened differently without the discovery violation, defendants suffered no harm and I should assess no sanctions. Id. at 5. I disagree.

I may not, and do not now, impose

sanctions beyond those costs incurred by defendants and caused by plaintiff's misconduct. However, sanctions serve purposes in addition to compensation; discovery sanctions also protect the judicial system. "The function of imposing sanctions is to assure both future compliance with the discovery rules and to punish past discovery failures, as well as to compensate a party for expenses incurred due to another party's failure to properly allow discovery." Bell v. Automobile Club of Michigan, 80 F.R.D. 228, 229 (E.D. Mich. 1978) appeal dismissed 601 F.2d 587, cert. den. 442 U.S. 918, 99 S.Ct. 2839, 61 L.Ed.2d 285. "Rule 37 sanctions must be applied diligently both 'to penalize those whose conduct may be deemed to warrant such a

sanction, [and] to deter those who might be tempted to such conduct in the absence of a deterrent.' " Roadway Express, Inc. v. Piper, 447 U.S. 752, 763-764, 100 S.Ct. 2455, 2463, 65 L.Ed.2d 488 (1979) (citing Nat'l Hockey v. Metropolitan Hockey Club, 427 U.S. 639, 643, 96 S.Ct. 2778, 2781, 49 L.Ed.2d 747 (1975)).

[2] I will not ignore the mandate of Rule 37(d) merely because plaintiff withheld this information for two years, and thereby made it difficult to assess the precise expense caused by this omission. Plaintiff withheld information directly bearing on the validity of his claim; the effect of this willful bad faith violation permeated this case. Plaintiff should not benefit from the fact that the

nature of his violation made it difficult to determine the exact expense caused by the violation. I may impose costs without specifically listing each expense awarded. Bell v. Automobile Club of Michigan, supra, at 235.

Defendants have incurred at least \$100,000 in bringing this Rule 37(d) motion alone. These expenses are clearly traceable to plaintiff's misconduct. Even before the directed verdict, defendants incurred expenses in bringing their initial motion for sanctions. I granted the directed verdict on January 21, 1988, and was affirmed on appeal. From February, 1988 through November, 1988, defendants accrued expenses of approximately \$92,196. Affidavit of David Wolf,

Exhibit B. Defendants have undoubtedly incurred further expense in pursuing these sanctions after November, 1988 until the present. Therefore, I find that defendants' costs in bringing this Rule 37(d) motion alone total at least \$100,000.

I find that a \$100,000 sanction reflects a just portion of the reasonable expenses caused by plaintiff's violation. As in Bell v. Automobile Club of Michigan, supra, at 235, plaintiff was in an excellent position to avoid the costs accrued for the sanctions process, after the wrongdoing was discovered. It is clear that plaintiff's misconduct needlessly caused additional discovery expense and attorney's fees. There is no reason to assume that this damage ceased when

defendants discovered the violation. Given these and all of the other circumstances of this case, I find \$100,000 a just sanction.

Accordingly, defendants' motion for fees and costs pursuant to Rule 11 of the Federal Rules of Civil Procedure and 35 U.S.C. §285 is DENIED. Defendant Hyde's motion for attorney's fees and costs pursuant to Rule 37 of the Federal Rules of Civil Procedure is GRANTED, defendant Hyde to recover from plaintiff Michael J. Badalamenti and attorney Ernie L. Brooks, jointly and severally, \$100,000.

IT IS SO ORDERED.

APPENDIX C1

District Court, E.D. Michigan

Badalamenti v. Dunham's, Inc., et al.

No. 85-CV-71040-DT

Decided February 4, 1986

Action by Michael J. Badalamenti, against Dunham's, Inc., Kinney Shoe Corporation, and Hyde Athletic Industries, Inc., for patent infringement. On defendants' motion for summary judgment. Motion granted.

Ernie L. Brooks, Earl J. LaFontaine, and Brooks & Cushman, all of Southfield, Mich., for plaintiff.

David Wolf, John L. Welch, and Wolf, Greenfield & Sacks, P.C., all of Boston, Mass., and Ronald L. Hofer, and Harness, Dickey & Pierce, both of Birmingham, Mich., for defendants.

Feikens, District Judge.

Plaintiff, Michael Badalamenti, sues defendants, Dunham's, Inc., Kinney Shoe Corporation ("Kinney"), and Hyde Athletic Industries, Inc. ("Hyde") for alleged infringement of plaintiff's patent. Plaintiff's patent is entitled "Traction Device for Shoes," and it describes placement of traction devices on the sides of shoes in order to aid traction in the event of a quick turn or "cut" during athletic activity. Jurisdiction is based upon 28 U.S.C. §1338.

Before me is defendants Kinney's and Hyde's Motion for Summary Judgment. They argue (1) that their shoe, the Hyde Spot-Built "Monster," does not literally infringe plaintiff's patent, and (2) that their shoe does not infringe plaintiff's patent because

of the doctrine of equivalents since plaintiff's claim is limited by file wrapper estoppel.

The test for literal infringement of a patent claim is explained in Graver Tank & Manufacturing Co. v. Linde Air Products Co., 339 U.S. 605, 85 USPQ 328 (1950). The Court in Graver stated:

In determining whether an accused device or composition infringes a valid patent, resort must be had in the first instance to the words of the claim. If accused matter falls clearly, within the claim, infringement is made out and that is the end of it.

Thus, the first inquiry is how does the claim read. Plaintiff's patent is comprised of eight claims, the first claim independent, the remainder dependent. The sole independent claim reads as follows:

1. A running shoe comprising an outer side and inner side, a sole, a first traction surface, and a second traction surface, wherein: said first traction surface and said second traction surface are associated with and disposed on the inner and outer side, respectively, of the upper portion of said shoe; each of said traction surfaces extends along a side of said shoe from about the forward portion of the heel to about the region where the toe area commences; and each of said traction surfaces is disposed at an acute angle; whereby, when said shoe is rotated about a horizontal axis, at least one of said traction surfaces is brought into contact with the ground surface.

Defendants' exhibit A, p. 4.

Defendants' shoe is clearly not within the claim of plaintiff's patent.

Although the Spot-Built "Monster" has traction devices along its inner and outer sides, these devices do not "extend along a side of said shoe from about the forward position of the heel to about the region where the toe area

commences." See Figures A and B [omitted]. Thus, I hold that no literal infringement exists.

A second test of infringement, however, must be applied. A product that does not literally infringe a patent could, nonetheless, infringe because of the doctrine of equivalents; a product is deemed to infringe if it "performs substantially the same function in substantially the same way to obtain the same result." Graver, 339 U.S. at 608, 85 USPQ at 330; Kinzenbaw v. Deere & Co., 741 F.2d 383, 389, 222 USPQ 929, 932 (Fed. Cir. 1984). Thus, defendants' shoe could arguably infringe plaintiff's patent. The traction devices on the Spot-Built "Monster" perform substantially the same function and in substantially the

same manner as the devices in plaintiff's patent. The end result, a shoe which reduces slipping during quick turns or cuts in athletic activity, is also the same.

The doctrine of equivalents, however, is limited in its scope because of the doctrine of file wrapper estoppel. File wrapper estoppel precludes a patent applicant from limiting his patent claims during the application procedure and subsequently broadening the issued patent through use of the doctrine of equivalents to avoid earlier conceded limitations. See Brenner v. United States, 773 F.2d 306, 227 USPQ 157 (Fed. Cir. 1985); Thomas & Betts Corp. v. Litton Systems, 720 F.2d 1572, 1579, 220 USPQ 1, 6 (Fed. Cir. 1983). File wrapper estoppel

applies to this case because plaintiff limited his claims to avoid rejection of his patent application.

Plaintiff's patent application was initially rejected because, inter alia, plaintiff's claims were not unobvious over prior art. See 35 U.S.C. §103. Specifically, prior art known as the "Hoffman shoe" has traction devices located on the inside and outside of the shoe upper. Plaintiff amended his claims to distinguish his patent from the Hoffman shoe.

Claim 1 of plaintiff's patent application originally stated:

A traction device for use in combination with a shoe, comprising: a traction surface associated with the upper of a shoe and disposed thereon, such that when the shoe is rotated about a horizontal axis, the traction surface is brought into engagement with a ground surface.

Defendants' exhibit D, p. 11. This claim was rejected because, inter alia, the teachings of the Hoffman shoe rendered plaintiff's claim obvious. To avoid the rejection, plaintiff amended his claim as follows:

A running shoe comprising an outer side, an inner side, a sole, a first traction surface, a second traction surface, wherein: said first traction surface and said second traction surface are associated with and disposed on the inner and outer side, respectively, of the upper portion of said shoe; each of said traction surfaces extends along a side of said shoe from about the forward position of the heel to about the region where the toe area commences....

Defendants' exhibit D, p. 29 (emphasis added). In the remarks to plaintiff's Patent Application Amendment of March 17, 1980, plaintiff states that the location of the traction devices in his patent should distinguish his shoe from

the Hoffman shoe.

To the extent there is a "traction surface" in Hoffman which is located on the sides of the shoe, it extends from about the back of the heel to near the front of the heel. Unlike applicant's shoe, it does not extend from about the front of the heel to about the toe area.

At page 4 of his specification, applicant discloses that, in this preferred embodiment,

"optimal results are obtained when the [traction] device ... extends along the side of the shoe from about the forward portion of the heel to the commencement of the toe area, as shown."

Nothing in the Hoffman reference suggests this preferred embodiment which is described in applicant's claims.

Defendants' exhibit D, p. 31. The Patent and Trademark Office accepted plaintiff's argument that, inter alia, the position of the traction devices distinguish plaintiff's patent from the prior art, and the Badalamenti patent issued on June 22, 1982.

[1] Plaintiff now argues that the placement of the traction devices is of no consequence as to infringement of plaintiff's patent. This reverse argument is exactly the situation that the doctrine of file wrapper estoppel is designed to avoid. The same argument that plaintiff used in his application amendment can be used to distinguish defendants' shoe from plaintiff's patent claim. "To the extent there is a 'traction surface' in Hoffman [defendants' shoe] ... it extends from about the back of the heel to near the front of the heel. Unlike applicant's [plaintiff's] shoe, it does not extend from about the front of the heel to about the toe area." Defendants' exhibit D, p. 31. The inequity of permitting plaintiff to use

this argument to obtain a patent and subsequently reject the traction device location distinction in an infringement action is readily apparent. Such limitation and subsequent expansion of a patent claim is proscribed by the doctrine of file wrapper estoppel.

Accordingly, defendants Hyde's and Kinney's Motion for Summary Judgment is GRANTED. An appropriate order shall be submitted. Since, by reason of this ruling, no relief can be obtained by plaintiff against defendant Dunham's, Inc., the order should also state dismissal as to it.

APPENDIX C2

Michael J. BADALAMENTI, Plaintiff,

v.

DUNHAM'S, INC., Kinney Shoe
Corporation, and Hyde Athletic
Industries, Inc., Defendants.

Civ. A. No. 85-71040

United States District Court,

E.D. Michigan, S.D.

Feb. 19, 1988

Holder of patent on athletic shoe design brought suit against shoe manufacturer and retailers, alleging infringement. On remand from the United States Court of Appeals, 809 F.2d 789, an unpublished decision which vacated trial court's determination of noninfringement, the District Court, Feikens, J., held that: (1)

determination of nonobviousness was question of law, not question of fact for jury, and (2) patented shoe design was obvious from prior art.

Defendant's motion for directed verdict granted.

Ernie L. Brooks, Robert C.J. Tuttle, Brooks & Kushman, Southfield, Mich., for plaintiff.

Ronald L. Hofer, Harness, Dickey & Pierce, Birmingham, Mich., for defendants; David Wolf, John L. Welch, Wolf, Greenfield & Sacks, P.C., Boston, Mass., of counsel.

MEMORANDUM OPINION

AND ORDER

FEIKENS, District Judge.

I. Introduction

Plaintiff Michael Badalamenti

obtained a patent for "a traction device for shoes." U.S. Patent No. 4,335,529, issued June 22, 1982 (plaintiff's patent). After obtaining the patent he contacted athletic shoe manufacturers to interest them in making his shoe. None were. Plaintiff also confronted various manufacturers who were, in his opinion, infringing his patent. He granted licenses to three manufacturers, but is not currently receiving royalty payments from any of the three.

Plaintiff filed his complaint on March 7, 1985, against Hyde Athletic Industries, Inc., a Massachusetts shoe manufacturer, and Dunham's Inc. and Kinney Shoe Corp., two local shoe retailers who sold Hyde's shoe. Hyde

defended on behalf of the other two defendants. Plaintiff's complaint alleges that the defendant Hyde's "Monster" athletic shoe infringes his patent. 35 U.S.C. §271.

I have jurisdiction pursuant to 28 U.S.C. §1338(a).

Defendants moved for summary judgement in August 1985. I granted their motion, entering my memorandum opinion and order February 4, 1986. I concluded that defendant Hyde's shoe did not literally infringe plaintiff's patent and that the doctrine of file wrapper estoppel prevented a finding of infringement under the doctrine of equivalents. Plaintiff appealed March 13, 1986. The U.S. Court of Appeals for the Federal Circuit vacated my

order for summary judgment.
Badalamenti v. Dunham's Inc., et al.,
Nos. 86-1024 and 86-1064, slip op.
(Fed. Cir. Dec. 18, 1986) [809 F.2d 789
(Table)]. While upholding my
determination of no literal
infringement, the U.S. Court of Appeals
stated that the plaintiff might be
entitled, under the doctrine of
equivalents, to recapture certain
patent claims I found he had given up
in prosecution. Slip op. at 6. The
U.S. Court of Appeals remanded the case
to this court for further fact finding
to determine the scope of plaintiff's
claims.

In conducting discovery after
remand, having previously sought
production of evidence of any prior

negotiations of plaintiff with others and receiving no adequate response thereto, defendant Hyde independently determined that plaintiff and his attorneys had negotiated with Nike, an athletic shoe manufacturer, some two years earlier regarding possible infringement by Nike and licensing of plaintiff's invention. The Nike negotiations concerned pertinent prior art, in the form of two shoes manufactured by Nike, the "Astrograbber" and the "Waffle Racer".

Defendants filed a motion for dismissal with prejudice and for attorney fees and costs under Fed.R.Civ.P. 37, claiming that the plaintiff should have produced this information in response to the request

for production of documents filed two years earlier. After an evidentiary hearing I granted defendants' motion as to sanctions and denied it as to dismissal with prejudice. I have the determination of the sanctions amount under consideration.

Partially because of the newly discovered evidence, I am now presented with the issue of whether plaintiff's patent is invalid because it is obvious.

The case has been tried to a jury in accordance with plaintiff's request.

At the close of plaintiff's presentation of evidence to the jury, defendant Hyde moved for a directed verdict upon the ground that plaintiff's patent is obvious, and thus invalid under 35 U.S.C. §103. Defendant bases

his motion upon the evidence of the prior art introduced by plaintiff.

The prior art which plaintiff introduced is (1) United States Patent No. 4,194,310, issued March 25, 1980 to Bowerman (Bowerman patent); (2) Nike Astrograbber athletic shoe; (3) Nike Waffle Racer shoe; (4) United States Patent No. 2,878,592, issued March 24 1959 to Cisko, Jr. (Cisko patent); (5) United States Patent No. 2,179,942, issued November 14, 1939, to Lyne (Lyne patent); and (5) United Kingdom Patent No. 407,499, issued March 22, 1934, to Lotus, Ltd. (Lotus patent).

Plaintiff also had two expert witnesses testify, Alsaf Ali and Thomas Montgomery.

It became obvious to me during the

trial that plaintiff introduced the evidence of prior art partly upon a mistaken assumption. His position was that the question of obviousness invariably presents a fact question for the jury, and cannot be decided by directed verdict. This is incorrect as a matter of law, as the U.S. Court of Appeals for the Federal Circuit has stated.

II. Directed Verdict

[1] Plaintiff contends that the issue of obviousness is one for the jury, and not one for the court. It is well settled, however, that although the issue of obviousness often rests upon factual determinations, it does not invariably raise a question for the jury.

A. The Issue of Obviousness Is A
Question of Law

The issue of obviousness, although based on factual inquiries, is a question of law which is to be decided by the trial court. Sakraida v. Ag Pro, Inc., 425 U.S. 273, 280, 96 S.Ct. 1532, 1536, 47 L.Ed.2d 784, 189 U.S.P.Q. 449, 452 (1976); Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17, 86 S.Ct. 684, 693, 15 L.Ed.2d 545 (1966); Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561, 1566-68, 1 U.S.P.Q.2d 1593, 1595-97 (Fed.Cir. 1987), cert. denied, ---U.S. ----, 107 S.Ct. 2187, 95 L.Ed.2d 843. While the Graham analysis of obviousness is generally considered factual, the U.S. Court of Appeals for the Federal

Circuit has stated that the inquiry is "factual" only to the extent that there are disputed facts. If none exist, the entire question of obviousness is one for the court. Structural Rubber Products Co. v. Park Rubber Co., 749 F.2d 707, 721, 223 U.S.P.Q. 1264, 1274-75 (Fed.Cir. 1984).

Plaintiff is thus not automatically entitled to have the factual inquiries underlying obviousness decided by the jury. That the parties dispute the ultimate conclusion of obviousness is not sufficient to raise a fact question. Id. As the U.S. Court of Appeals for the Federal Circuit has stated:

[B]efore submitting the issue of obviousness to the jury, the court must consider whether there is an underlying factual dispute on this issue. If there is none, the issue

should not be given to the jury since the application of the law to undisputed facts is for the court.

Structural Rubber Products, 749 F.2d at 721, 223 U.S.P.Q. at 1275.

Even if there are disputed facts, "a verdict should still be directed if the undisputed facts demonstrate, as a matter of law, that the patent in suit is invalid." Brunswick Corp. v. Champion Spark Plug Co., 689 F.2d 740, 752, 216 U.S.P.Q. 1, 10 (7th Cir. 1982) (emphasis in original).

I find that there are no factual disputes concerning the scope and content of the prior art, the level of ordinary skill in the art, and the secondary considerations. What disputes exist result from claim interpretation, which is a matter of law for the court.

Panduit, 810 F.2d at 1567-68, 1 U.S.P.Q.2d at 1597.

B. Legal Standards for Reaching a
Directed Verdict

The U.S. Court of Appeals for the Federal Circuit has discussed the legal standard for deciding motions for directed verdicts and judgments notwithstanding the verdict on the issue of patent validity. Quaker City Gear Works, Inc. v. Skil Corp., 747 F.2d 1446, 1454-55, 223 U.S.P.Q. 1161, 1166-67 (Fed.Cir. 1984), cert. denied, 471 U.S. 1136, 105 S.Ct. 2676, 86 L.Ed.2d 694 (1985) quoting Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 220 U.S.P.Q. 193 (Fed.Cir. 1983). In Connell the U.S. Court of Appeals for the Federal Circuit stated the

applicable legal standard as follows:

Under these guidelines, a court must: (1) consider all the evidence; (2) in a light most favorable to the non-mover; (3) drawing reasonable inferences favorable to the non-mover; (4) without determining credibility of witnesses; and (5) without substituting its choice for that of the jury between conflicting elements in the evidence.... If, after following those guidelines, the court is convinced upon the record before the jury that reasonable persons could not reach or could not have reached a verdict for the non-mover, it should grant the motion for directed verdict or the JNOV.

722 F.2d at 1546, 220 U.S.P.Q. at 197.

In addition, the patent holder enjoys a statutory presumption that the patent is valid. 35 U.S.C. §282. The party challenging the validity of the patent can overcome this presumption only by clear and convincing evidence to the contrary. Panduit, 810 F.2d at

1569-70, 1 U.S.P.Q.2d at 1598-99 and Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 1534, 218 U.S.P.Q. 871, 875 (Fed.Cir. 1983). When the party challenging the patent has met the burden of overcoming this presumption of validity with clear and convincing evidence, the court should declare the patent invalid. Panduit, 810 F.2d at 1570, 1 U.S.P.Q.2d at 1599. Thus, I start with the presumption that Badalamenti's patent is nonobvious.

The court must also give deference to the Patent and Trademark Office's (PTO) decision to issue a patent with respect to evidence that it considered. Structural Rubber Products, 749 F.2d at 714, 223 U.S.P.Q. at 1269, quoting American Hoist & Derrick Co. v. Sowa &

Sons, Inc., 725 F.2d 1350, 1360, 220 U.S.P.Q. 763, 771 (Fed.Cir. 1984). No such deference is due with respect to evidence it did not consider. Id. Thus, while the court is to give "appropriate consideration and due weight" to the PTO's decision, its decision is not controlling nor is it binding on the court. Interconnect Planning Corp. v. Feil, 774 F.2d 1132, 1139, 227 U.S.P.Q. 543, 548 (Fed.Cir. 1985). On the basis of the evidence before the courts, the courts can and do decide differently from the PTO examiner. Tyler Refrigeration v. Kysor Indus. Corp., 777 F.2d 687, 690, 227 U.S.P.Q. 845, 847 (Fed.Cir. 1985).

While the PTO examiner did consider the prior art which is before me, I

note that the PTO did not have the actual Nike Astrograbber or the Nike Waffle Racer shoes. It considered only printed publications showing those shoes. In addition, the PTO stated that the photocopies of the publications showing the shoes were not clear (Reexamination No. 90/001266, p. 3 (Plaintiff's Exhibit 3)). Based on the unclear photocopies the PTO stated that it "appears" that the cited publications did not show Badalamenti's running shoe sole. Moreover, plaintiff did not brief nor did the PTO discuss the Bowerman patent in either the prosecution or the reexamination.

With due deference to the PTO and keeping in mind plaintiff's presumption of validity, here, where there are no

disputed facts, I can decide the issue of validity of plaintiff's patent in a motion for a directed verdict.

III. Obviousness

The U.S. Constitution authorizes Congress "To promote the Progress of ... useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their ... Discoveries." Art. I, §8, cl. 8. This clause is "both a grant of power and a limitation." Graham, 383 U.S. at 5, 86 S.Ct. at 687. Patent law sets out the limitations in three conditions for patentability: novelty, utility, and nonobviousness. 35 U.S.C. §§101-103. Section 103 on nonobviousness reads in relevant part:

A patent may not be obtained

though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

As the legislative history makes clear, although an invention may be "new", it may still be obvious if the difference between the prior art and the invention is not great enough to warrant the monopoly granted by patent law. S.Rep. No. 1979, 82d Cong., 2d Sess. (1952); H.R.Rep. No. 1923, 82d Cong., 2d Sess. (1952), U.S. Code Cong. & Admin. News 1952, p. 2394 quoted in Graham, 383 U.S. at 14-15, 86 S.Ct. at 692; cf. Union Carbide Corp. v.

American Can Co., 724 F.2d 1567, 1575,
220 U.S.P.Q. 584, 591 (Fed.Cir. 1984).

The Supreme Court has enunciated
the test for obviousness under section
103 in Graham v. John Deere Co. of
Kansas City:

While the ultimate question of
patent validity is one of law, the
§103 condition, which is but one of
three conditions, each of which
must be satisfied, lends itself to
several basic factual inquiries.
Under §103, the scope and content
of the prior art and the claims at
issue are to be ascertained; and
the level of ordinary skill in the
pertinent art resolved. Against
this background, the obviousness or
nonobviousness of the subject
matter is determined. Such
secondary considerations as
commercial success, long felt but
unsolved needs, failure of others,
etc., might be utilized to give
light to the circumstances
surrounding the origin of the
subject matter sought to be
patented. As indicia of
obviousness or nonobviousness,
these inquiries may have relevancy.

383 U.S. 1, 17, 86 S.Ct. 684, 694 (1966) (citation omitted).

IV. The Required Analysis

After interpreting the claims of the patent at suit, obviousness is determined by performing the factual inquiries required by Graham, taking into consideration any expert testimony on the issue.

A. Claim Interpretation

Preceding the factual inquiry required by Graham the court must interpret the claim: what is the invention claimed? Panduit, 810 F.2d at 1567-68, 1 U.S.P.Q.2d at 1597. The two claims at issue are claims 1 and 6. Claim 1 reads:

A running shoe comprising an outer side, an inner side, a sole, a first traction surface, and a

second traction surface, wherein: said first traction surface and said second traction surface are associated with and disposed on the inner side and the outer side, respectively, of the upper portion of said shoe: each of said traction surfaces extends along a side of said shoe from about the forward portion of the heel to about the region where the toe area commences; and each of said traction surfaces is disposed above said sole of the shoe at an acute angle; whereby, when said shoe is rotated about a horizontal axis, at least one of said traction surfaces is brought into contact with the ground surface.

Plaintiff's Patent, col. 4, ll. 12-14.

Claim 6 reads:

The shoe of claim 1 wherein the traction surfaces comprise a plurality of nubs protruding from the traction surface.

Id. at ll. 37-39.

The language of plaintiff's claims at suit are straightforward. I find that plaintiff claims an angled traction

surface composed of nubs. The traction surfaces are located above the bottom of the sole at an acute angle to it and are located along both sides of the shoe from the forward portion of the heel to the toe area. They provide traction when the shoe is rotated horizontally. In addition, plaintiff's and his expert witness's testimony have confirmed this meaning (Badalamenti, Tr. 37-38 & 75-77; Ali, Tr. 273, 303, 312).

B. The Graham Analysis

In considering the obviousness issue, the U.S. Court of Appeals for the Federal Circuit requires the Graham analysis. Graham suggests factual inquiries in four areas: (1) ascertaining the scope and content of

the prior art; (2) determining the differences between the prior art and the claims in issue; (3) determining the level of ordinary skill in the pertinent art; and (4) considering any secondary considerations or objective evidence. In light of the answers to these inquiries, the court must address the question of whether the differences would have been obvious to one reasonably skilled in the pertinent art at the time of plaintiff's invention. Graham, 383 U.S. at 17, 86 S.Ct. at 693.

1. Scope and Content of the Prior Art

[2] An analysis of the record shows that the parties have not contested the scope or content of the prior art. The prior art is that cited in the prosecution and the

reexamination, introduced by plaintiff. It is: (1) the Bowerman patent; (2) Nike Astrograbber shoe; (3) Nike Waffle Racer shoe; (4) the Cisko patent; (5) the Lyne patent; and (6) the Lotus patent. My discussion of the prior art follows.

a. Bowerman

The Bowerman patent is for an "athletic shoe for artificial turf with molded cleats on the sides thereof." Bowerman Patent, pg. 1. The invention claimed is for an athletic shoe for artificial turf or other hard surfaces "which employs molded cleats of resilient material on the bottom of the shoe and on both sides thereof for greater traction." Id. at col. 2, 11. 5-8. The preferred embodiment for the

side cleats is:

[A] cover strip 20 of resilient material having a plurality of second cleats 22 molded integral therewith is attached to opposite sides of the shoe upper as well as around the toe portion and heel portion of such upper. These second cleats 22 may each have a polygon-shaped ground engaging surface 24 and greatly improve traction when the athletic shoe is used for sports such as baseball, football or soccer requiring lateral movement and rapid changes in direction during which the shoe is partially twisted or rolled sideways so that such second cleats engage the artificial turf or other hard surface. Patent col. 3, ll. 15-26.

The function of the side cleats is to provide traction during lateral movement or changes in direction:

The second cleats 22 on the side of the shoe upper provide no cushioning during normal straight ahead running, but are primarily for providing additional traction during lateral movement or changes in running direction.

Id. at 11. 46-50 (emphasis added).

The specific invention claimed by Bowerman is:

An athletic shoe comprising: ... a cover strip extending partially over the outer surface of said shoe upper around the toe portion and along the opposite sides of the shoe upper and having a plurality of second cleats molded integral with said cover strip on the opposite sides of said shoe upper.

Id. at col. 4, 11. 50-66.

b. Nike Astrograbber and Waffle Racer

The soles of the Nike Astrograbber and the Nike Waffle Racer ("the Nike shoes") are the same, only the uppers, which are not relevant to the patent in suit, differ (the Astrograbber is a football shoe for use on astroturf, the Waffle Racer is a crosscountry shoe).

The Nike shoes show an angled traction device on the side of the

shoes which provides traction when the shoe is rotated. The Nike shoes have a wrapped sole. The sole wraps around the sides of the shoe in the front portion -- the ball and toe areas -- of the shoe. The sole, including the wrapped portion, has square projections or cleats. The cleats on the wrapped portion of the sole provide traction when the shoe is rotated as the person changes direction. Both plaintiff's expert witnesses, Ali and Montgomery, testified on cross-examination that the Astrograbber provides traction when the shoe is rotated laterally (Ali, Tr. 295-96 & 306; Montgomery, Tr. 297). Ali also testified that it provides traction through a thirty to forty-five degree angle (Tr. 297).

c. Cisko Patent

The Cisko patent is for a baseball shoe with spikes to prevent slipping during base running. Cisko shows spikes located on the left side of both left and right shoes, located above the bottom of the sole so that they do not engage the ground unless the shoe is rotated. The spikes engage the ground upon rotation of the shoe during base running, and prevent lateral slipping. The drawing shows that the spikes are at an acute angle relative to the sole or ground. Patent, figs. 4 & 5.

d. Lyne Patent

The Lyne patent is for an attachment for a golf shoe, to provide traction and balance during the player's stroke. Lyne shows a traction device, or "pivot

face", extending beyond the normal inner edge of the sole. The traction device is a continuation of the sole curving upward and outward from it. The traction device is provided with studs which prevent sideways slipping. Patent, p. 2, col. 2, ll. 52-56. As the player pivots during his swing the shoe rotates and the studs on the traction device engage the ground, providing traction. The drawing shows that the studs are at an acute angle relative to the sole or ground. Patent, figs. 5 & 6.

e. Lotus Patent

The Lotus patent is for "shoes for sports wear", more particularly for playing golf. The Lotus patent shows a beveled or angled side sole at

approximately forty-five degrees relative to the sole bottom. Studs are attached perpendicularly to the angled surface so that they also project at approximately forty-five degrees. Lotus patent, 11. 68-77. The side studs are located on both sides of the shoe either on the ball of the foot or around the whole shoe. The purpose of the side studs is to prevent the shoes from slipping when they are turned on their edges.

The prior art discussed above is undisputed. The parties do dispute the interpretation of the prior art's claims. This is a matter for the court, to which I now turn.

2. Differences between the Prior Art

and Invention in Suit

The second inquiry required by Graham is a determination of the differences between the prior art and the claims of the patent at suit. I find that the differences between plaintiff's claims and the prior art are negligible at best, and as a matter of law do not attain the difference which is afforded protection under patent law.

In comparing plaintiff's invention and what the prior art teaches, it is important to make clear what plaintiff does not claim in his patent. Plaintiff does not claim one acute angle over another for the side traction surface. Neither does he claim a certain transition between the sole and the

side traction surface, such as curved versus angled. Nor does he claim a certain disposition (straight versus curved) of the surface to which the nubs are attached (the drawings show a straight surface). He does not claim any specific size, shape, or disposition of the cleats on the side traction surface (Tr. 125-26).

Plaintiff simply claims an acutely angled traction surface composed of cleats or nubs along the sides of the shoe from forward of the heel to the toe area. This claim must be compared to the prior art in determining the differences between them.

The single most relevant prior art is the Bowerman patent. The differences between the Bowerman patent and the

plaintiff's invention are minimal or nonexistent. The Bowerman patent shows an angled traction device composed of nubs along the sides of the shoe. The purpose of Bowerman's patent is to provide greater traction for quick turning laterally. The purpose of plaintiff's patent is to provide lateral traction. Bowerman accomplishes this by cleats along the sides of shoe. Plaintiff's patent accomplishes this by nubs or cleats along the sides of the shoe. The Bowerman patent achieves its purpose as the side cleats engage the surface when the shoe is twisted or rolled sideways. Plaintiff's patent achieves its purpose as the traction surface along the sides of the shoe is brought into contact with the ground

when the shoe is rotated. In short, Bowerman shows plaintiff's claimed invention -- nubs or cleats on an acutely angled traction surface along both sides of the shoe to provide traction when the shoe is rotated.

The only difference plaintiff could cite between Bowerman and his patent was the acute angle of the side traction surface (Tr. 500). Plaintiff relies solely upon the drawing of the Bowerman patent as his support for the contention that Bowerman, and consequently the prior art, does not teach a traction device at an acute angle (Ali, Tr. 325; Brooks, Tr. 500). This reliance is misplaced. A fair reading of the claims and specifications of Bowerman shows that

it teaches an angled traction surface, and that the drawing showing a traction surface at a right angle to the sole or ground surface is in error. Furthermore, the other prior art teaches an angled traction surface located above the sole.

[3] Obviousness is to be determined not only by what the prior art expressly teaches, but by what it would suggest. "The question of obviousness depends, furthermore, on 'not only what the references expressly teach, but what they would collectively suggest to one of ordinary skill in the art.'" Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 739, 220 U.S.P.Q. 845, 848-49 (Fed. Cir. 1984), quoting In re Simon, 461 F.2d 1387, 1390, 174

U.S.P.Q. 114, 116 (C.C.P.A. 1972).

I find that the angled traction surface is, if not a necessary implication of Bowerman, at the very least clearly suggested by it. The specifications state that in the preferred embodiment for the side cleats the side cleats engage the surface and provide traction upon partial lateral rolling or twisting:

[The side cleats] greatly improve traction when the athletic shoe is used for sports ... requiring lateral movement and rapid changes in direction during which the shoe is partially twisted or rolled sideways so that such second cleats engage the ... surface.

Bowerman patent col. 3, 11. 21-26
(emphasis added).

[4.5] A patentee cannot escape the teaching of a prior art patent based

upon an interpretation of the drawing if the specifications are otherwise clear. Cf. Ziegler v. Phillips Petroleum Co., 483 F.2d 858, 869, 177 U.S.P.Q 481, 488 (5th Cir. 1973) cert. denied, 414 U.S. 1079, 94 S.Ct. 597, 38 L.Ed.2d 485, quoting Edward Valves, Inc. v. Cameron Iron Works, Inc., 286 F.2d 933, 942 (5th Cir. 1961), cert. denied, 368 U.S. 833, 82 S.Ct. 55, 7 L.Ed.2d 34 ("It is well settled that the claims delineate the scope of protection afforded by a patent, not the specific embodiments shown in patent drawings.") This is so especially where, as here, the drawing appears to be in error.

I find that in Bowerman the cleats can engage the surface upon partial

lateral movement only if they are at an acute angle to the ground, and not at a nearly right angle as shown in the drawing. Plaintiff's expert witness Ali testified that the side cleats at a right angle as shown in the drawing would only engage the ground when the shoe was turned completely on its side (Tr. 254). As depicted in the drawing, the side cleats would not be functional.

Even if Bowerman did not teach an acutely angled traction surface, other prior art -- the Nike shoes and the Lotus, Lyne, and Cisko patents -- teaches an angled traction surface. The Nike shoes show the wrapped portion of the sole disposed at an acute angle to the sole and the ground. The Lotus patent shows an angled side sole at a

forty-five degree angle to the ground. The Cisko patent shows spikes located at an acute angle. the Lyne patent as well shows a traction device at an acute angle.

The prior art also shows the angled traction device on both sides of the shoe. The Nike shoes show a wrapped sole on both sides of the shoe on the ball and toe area, and Bowerman shows cleats on both sides all around the shoe. In addition, the Cisko patent, with cleats located on the left sides of the shoes for base running, would suggest to anyone of ordinary skill that if you wanted traction when running to the right, you would merely put spikes on the opposite side of the shoe.

In summary, a comparison of the prior art with plaintiff's invention shows that the difference between them is slight.

3. Level of Ordinary Skill in the Art

Regarding the third inquiry required by Graham, the parties have not disputed the level of ordinary skill in this case. Defendant has agreed that plaintiff's expert witnesses establish an appropriate level of skill. See Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc., 807 F.2d 955, 962-63, 1 U.S.P.Q.2d 1196, 1201 (Fed.Cir. 1986); Stratoflex, 713 F.2d at 1538, 218 U.S.P.Q. at 878-79.

Plaintiff's expert Ali has some college education and has worked nineteen years in the sporting goods

industry, for a number of years supervising the development and production of athletic shoes (Tr. 265-66). Plaintiff's expert Montgomery has a bachelor of science degree in mechanical engineering and has worked in the athletic shoe trade for nine years (Tr. 380-81).

I find that a person possessing an applicable level of ordinary skill in the art is one with some college education and who has worked in the athletic shoe trade.

4. Secondary Considerations

The fourth inquiry required by Graham is a consideration of objective evidence or secondary considerations. Secondary considerations are useful to guard against slipping into hindsight.

Graham, 383 U.S. at 36, 86 S.Ct. at 703; and must be considered when present, Pentec, Inc. v. Graphic Controls Corp., 776 F.2d 309, 315, 227 U.S.P.Q. 766, 770 (Fed.Cir. 1985), and Stratoflex, 713 F.2d at 1538-39, 218 U.S.P.Q. at 879. There must be a nexus established between the merits of the claimed invention and the evidence of secondary considerations if the evidence is to be given substantial weight indicating nonobviousness. Ashland Oil, Inc. v. Delta Resins & Refractories, Inc., 776 F.2d 281, 305 n. 42, 227 U.S.P.Q. 657, 673 n. 42 (Fed.Cir. 1985), cert. denied, 475 U.S. 1017, 106 S.Ct. 1201, 89 L.Ed.2d 315; Simmons Fastener, 739 F.2d at 1575, 222 U.S.P.Q. at 746; Stratoflex, 713 F.2d

at 1539, 218 U.S.P.Q. at 879.

[6] In the present case the parties presented evidence on commercial success and commercial acquiescence. Neither indicates nonobviousness. Badalamenti's shoe has not been commercially successful. He has not marketed the shoe itself, only confronted alleged infringers. Nor does the evidence of commercial acquiescence indicate nonobviousness. In the six years plaintiff has promoted his invention he has obtained only three licenses despite contacting "many" manufacturers (Tr. 503 & 91). The few licenses plaintiff has obtained

do not indicate nonobviousness.¹

Additionally, plaintiff has not shown a nexus between the merits of his invention and the licenses of record. Stratoflex, 713 F.2d at 1539, 218 U.S.P.Q. at 879.

Thus I find that the evidence of secondary considerations does not

1. As stated by Judge Frank in Kleinman v. Kobler, 230 F.2d 913, 914 (2d Cir. 1956), cert. denied, 352 U.S. 830, 77 S.Ct. 44, 1 L.Ed.2d 51:

[W]e see no significance in the fact, found by the trial judge, that "four manufacturers, including Schick and Remington-Rand, Inc., two of the largest manufacturers, have procured licenses from the plaintiff." These are matters about which judges must not be too naive: To take a license, calling for small royalty payments, frequently involves less expense than prolonged litigation; besides, if the licenses are few, the licensees may deem it desirable to share a monopoly which will endure while the patent-owner frightens off other users.

indicate nonobviousness.

C. Expert Testimony

The court may consider an expert witness's testimony but it is not bound by the opinion of expert witnesses on the issue of obviousness. Petersen Mfg. Co. v. Central Purchasing, Inc., 740 F.2d 1541, 1547-48, 222 U.S.P.Q. 562, 566-67 (Fed.Cir. 1984); Pederson v. Stewart-Warner Corp., 536 F.2d 1179, 1180-81, 192 U.S.P.Q. 20, 22 (7th Cir. 1976), cert. denied, 429 U.S. 985, 97 S.Ct. 505, 50 L.Ed.2d 597.

Only Ali testified as to obviousness. His opinion was that plaintiff's shoe was not obvious in the light of the prior art. However, Ali stated that he had "briefly glanced" at the prior art references, some seventy patents (Plaintiff's Ex. 30), given to

him by plaintiff (Tr. 274, 314-15).

I find that Ali's testimony does not indicate that plaintiff's invention is nonobvious.

V. Conclusion

I conclude that as a matter of law plaintiff's invention would have been obvious to one reasonably skilled in the pertinent art at the time of its invention.

A useful starting point for determining the issue of obviousness is Judge Rich's image in In re Winslow, Union Carbide, 724 F.2d at 1576, 220 U.S.P.Q. at 591. In In re Winslow, Judge Rich stated:

We think the proper way to apply the 103 obviousness test to a case like this is to first picture the inventor as working in his shop with the prior art references -- which he is presumed to know -- hanging on the walls around him.

365 F.2d 1017, 1020, 53 C.C.P.A. 1574, 1578 (1966).

Imagining myself in a workshop with the prior art hanging on the walls around me, a comparison of plaintiff's patent with the prior art leads me to the conclusion that the minds of reasonable men could not differ that plaintiff's patent is obvious.

Plaintiff claims an angled traction surface composed of nubs disposed at an acute angle above the bottom of the sole along both sides of the shoe from the forward portion of the heel to the toe area. It provides traction when the shoe is rotated horizontally. Plaintiff's invention is obvious in light of the Bowerman patent showing an athletic shoe with side cleats disposed at an angle above the sole in order to

provide traction when turning. Other prior art also shows an angled traction surface above the sole of the shoe -- the Nike shoes and the Lotus, Cisko, and Lyne patents. The prior art further shows the side traction surface disposed from the forward portion of the heel to the toe area. Such a disposition would have been obvious in light of the Nike shoes and the Bowerman and Cisko patents.

The differences between the prior art and plaintiff's patent do not amount to the degree necessary to be afforded protection under the patent laws. The differences are minimal at best. Considering all the evidence, in a light most favorable to plaintiff, drawing all reasonable conclusions in plaintiff's favor, keeping in mind the

presumption of nonobviousness and giving deference to the Patent and Trademark Office's decision, I find that defendant has presented clear and convincing evidence that plaintiff's patent is obvious. I find that the minds of reasonable men could not differ regarding the obviousness of plaintiff's patent. The differences between plaintiff's invention and the prior art would have been obvious to one reasonably skilled in the art at the time.

Accordingly, IT IS ORDERED that defendant's motion for a directed verdict be GRANTED.

IT IS SO ORDERED.

APPENDIX C3

Court of Appeals, Federal Circuit

Badalamenti v. Dunham's Inc.

No. 88-1356

Decided October 28, 1988

(Unpublished)

Appeal from the U.S. District Court
for the Eastern District of Michigan,
Feikens, J.; 6 USPQ2d 1626.

Patent infringement action brought
by Michael J. Badalamenti against
Dunham's Inc., Kinney Shoe Corp., and
Hyde Athletic Industries Inc. From
federal district court judgment holding
patent invalid, plaintiff appeals.
Affirmed; plaintiff's appeal from
district court's memorandum opinion
concerning attorney's fees dismissed.

Prior decisions: 230 USPQ 74; 6
USPQ2d 1633.

Ernie L. Brooks, Robert C.J. Tuttle, and Earl J. Fontaine, of Brooks & Kushman, Southfield, Mich., for plaintiff.

David Wolf and John L. Welch, of Wolf, Greenfield & Sacks, Boston, Mass.; Ronald L. Hofer, of Harness, Dickey & Pierce, Birmingham, Mich., for defendant.

Before Bennett, senior circuit judge, and Bissell and Archer, circuit judges.

Archer, Jr.

Michael J. Badalamenti (Badalamenti) appeals the judgment of the United States District Court for the Eastern District of Michigan, 680 F.Supp. 256, 6 USPQ2d 1626 (1988), holding that U.S. Patent No. 4,335,529 ('529) is invalid under 35 U.S.C. §103

(1982 & Supp. IV 1986). Badalamenti also appeals from the district court's Memorandum Opinion Taking Under Advisement Defendants' Petition for an Award of Attorney Fees and Costs. We affirm the judgment and dismiss the appeal from the Memorandum Opinion for lack of jurisdiction.

OPINION

[1] The district court directed a verdict after the close of Badalamenti's case-in-chief that the '529 patent would have been obvious under 35 U.S.C. §103. Badalamenti argues that a patentee has a statutory presumption of validity and that it was therefore improper to direct a verdict without hearing the defendants' evidence on the invalidity issue and Badalamenti's rebuttal evidence. This argument is unpersuasive

because during Badalamenti's case-in-chief on infringement he offered into evidence the prior art (the Bowerman patent or the Nike shoes, and the Lotus, Cisco, and Lyne patents). The district court relied upon this evidence in its obviousness determination and found that it was enough to overcome the presumption of validity and to hold the '529 patent invalid for obviousness. Under these circumstances it was not improper for the district court to direct the verdict without further evidence.¹

1. Badalamenti's argument that this evidence was only introduced for the purposes of claim construction is flawed. Even though the evidence is introduced for the purposes of claim construction in determining infringement, if it is prior art the district court may consider it for invalidity purposes.

Badalamenti further argues that the district court erred in holding that the claimed invention of the '529 patent would have been obvious. However, we conclude the district court correctly analyzed the prior art and properly held the '529 patent invalid. Therefore we affirm the district court's opinion in this regard.

[2] Badalamenti also appeals the determination by the district court in its Memorandum Opinion "that costs and attorney fee sanctions against plaintiff and plaintiff's counsel, pursuant to Rule 37(d), should be imposed." 6 USPQ2d 1633, 1635, 118 F.R.D. 337, 440 (1987). However, the district court held that "Defendants' effort to secure all costs and attorney fees incurred following plaintiff's

failure to disclose the Nike talks is premature.... Accordingly, Defendants' Petition for an Award of Attorney Fees and Costs is TAKEN UNDER ADVISEMENT until after the jury verdict in this cause." A final judgment with respect to attorney fees has not been rendered. Accordingly, this court does not have jurisdiction to hear this portion of the appeal, see 28 U.S.C. §1295(a)(1982 & Supp. IV 1986), and it is dismissed.

862 Federal Reporter, 2d Series

Title: Badalamenti v. Dunham's, Inc.

Docket Number: 88-1356

Date: 10/28/88

Disposition: Affirmed

Appeal from and Citation: D.Ct./E.D.

Mich., 680 F.Supp. 256

APPENDIX D

United States Court of Appeals
for the Federal Circuit

89-1460, -1528

Michael J. BADALAMENTI,

Plaintiff-Appellant.

v. DUNHAM'S, INC., et al.,

Defendants/Cross-Appellants.

ORDER

Before ARCHER, Circuit Judge,
BENNETT, Senior Circuit Judge, and RE,
Chief Judge.*

A petition for rehearing having
been filed in this case, and a response
thereto having been invited by the
court and filed,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for
rehearing be, and the same hereby is,

denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on April 27, 1990.

For the Court,

Francis X. Gindhart, Clerk

Dated: April 20, 1990

cc: Ernie L. Brooks

David Wolf

Badalamenti v. Dunhams Inc.,

89-1460, -1528 (DCT - 85-CV-71040 DT)

*The Honorable Edward D. Re, Chief Judge of the United States Court of International Trade, sitting by designation.

Note: This order has not been prepared for publication in a reporter.



(2)

No. 90-124

Supreme Court, U.S.
FILED
AUG 20 1990
JOSEPH F. SPANIOLO, JR.
CLERK

In The
Supreme Court of the United States

October Term, 1990

**DUNHAM'S INC., KINNEY SHOE CORPORATION
and HYDE ATHLETIC INDUSTRIES, INC.,**

vs.

Petitioners,

MICHAEL J. BADALAMENTI,

Respondent.

**BRIEF IN OPPOSITION
TO A PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

- AND APPENDICES -

BROOKS & KUSHMAN

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38 p/2

QUESTIONS PRESENTED

The questions presented by Petitioners are not prompted by either the holdings of the district court or the Court of Appeals for the Federal Circuit in this case.

Petitioners' issues rely upon a mischaracterization of the seminal facts of this case to raise a conflict among the circuits in a legal standard which, if considered and resolved by this Court, would not change the outcome of this case.



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No. 90-124

In The

Supreme Court of the United States

October Term, 1990

DUNHAM'S INC., KINNEY SHOE CORPORATION
and HYDE ATHLETIC INDUSTRIES, INC.,

vs. *Petitioners.*

MICHAEL J. BADALAMENTI,

Respondent.

**BRIEF IN OPPOSITION
TO A PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

Respondent, Michael J. Badalamenti, respectfully requests that this Court deny Petitioners' Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit.

COUNTER-STATEMENT OF THE CASE

Respondent disagrees with Petitioners' Statement of the Case insofar as Petitioners have misrepresented the holdings of both the district court and the Federal Circuit, as well as the critical facts underlying those holdings.

The district court awarded sanctions against Respondent and his counsel for not producing documents responsive to Petitioners' April 15, 1985 requests. Respondent timely filed a written response to the document request. In Respondent's written response, he objected to producing documents containing confidential

information. Petitioners' counsel was earlier advised of Respondent's objection to production of documents containing confidential information at Respondent's May 5, 1985 deposition.

The case was dismissed after the district court entered summary judgment in late 1985.

The summary judgment was reversed in late 1986, and pretrial discovery resumed in early 1987. At the close of discovery in May, 1978, Petitioners brought a motion under Rule 37(b) for sanctions against Respondent and Respondent's counsel and dismissal of Respondent's claims. The district court noted that Rule 37(b) was inapplicable because there was no court order compelling Respondent to respond to the document requests.

The district court sua sponte raised Rule 37(d), finding "a party's failure to disclose or produce materials sought in a proper discovery request, without seeking a protective order, violates the Federal Rules of Civil Procedure." (B-3.) Sanctions were imposed against Respondent and his counsel for failing to meet the quoted standard.

The Federal Circuit reversed the district court's award of sanctions, holding, "The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order." (A-7.)

The Federal Circuit applied the pertinent federal rules to the facts of this case, stating:

The plain terms of the rules of civil procedure show that a party served with a document request has four options:

- (1) respond to the document request by agreeing to produce documents as requested (Fed. R.Civ.P. 34(b));
- (2) respond to the document request by objecting (Fed.R.Civ.P. 34(b));
- (3) move for a protective order (Fed.R.Civ.P. 26(c) and 37(d)); or
- (4) ignore the request.

If the party chooses the last option, he is subject to sanctions under Rule 37(d). However, if the party responds to the document request, even if he responds by objecting, Rule 37(d) sanctions are not available.

[1] In this case, it cannot be disputed that Badalamenti served a response to Hyde's document requests in which he (1) objected to producing confidential information in the absence of a protective order and (2) agreed to produce the requested documents subject to the objection. Badalamenti served a response as required by Rule 34. Thus, Rule 37(d) does not authorize an award of sanctions in this case.

The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order. In that ruling, the district court exceeded its discretion.

(A-6-A-7; citation omitted.)

ARGUMENT

There are no questions presented by this case which merit review by this Court.

In fabricating its "Questions Presented," Petitioners mischaracterize the facts and the holdings of the lower courts in this case, and raise a perceived conflict among the circuits which, however resolved, would not affect the outcome of this case.

I.

THE FEDERAL CIRCUIT PROPERLY APPLIED RULES 34 AND 37 TO THE FACTS OF THIS CASE.

Petitioners describe Respondent's Rule 34 response as "evasive and misleading" and "false and misleading." (Petition, Questions Presented, p. 5.) Neither court used the quoted language. Indeed, the Federal Circuit noted:

Hyde argues on appeal that Badalamenti's response was misleading as to the very existence of the documents and that Hyde had no reason to move to compel production because it had no reason to know that Badalamenti was withholding information. However, Hyde knew that Badalamenti objected to producing confidential information. In addition, Hyde knew that Badalamenti was instructed not to answer deposition questions concerning "current contacts" but that he was willing to enter into a stipulated protective order. If Hyde wanted clarification of the objection or production of documents, it could have moved to compel under Rule 37(a) or stipulated to the protective order suggested by Badalamenti. Once Badalamenti complied with Rule 34 and made his initial response, the

burden shifted to Hyde to move to compel if it deemed the responses inadequate.

(A-9.)

It is Petitioners who mislead this Court by mischaracterizing Respondent's behavior in an attempt to align this case with dicta from *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (E.D. Michigan 1978), *appeal dismissed*, 601 F.2d 587 (6th Cir.), *cert. denied*, 442 U.S. 918 (1979).

II.

THE FEDERAL CIRCUIT'S HOLDING IN THIS CASE IS NOT INCONSISTENT WITH THE LAW OF THE SIXTH CIRCUIT.

The Federal Circuit noted that the law of the Sixth Circuit controlled its decision on the discovery issue of this case, citing *Panduit Corp. v. All States Plastic Manufacturing Co., Inc.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984). The Federal Circuit then explained that its holding in this case would not be affected by the Sixth Circuit's adoption of a broad construction of Rule 37(d), stating:

In this case, we need not decide whether the Sixth Circuit would adopt the broad construction of Rule 37(d). Even if the rule set forth in *Bell* is the law in the Sixth Circuit, it does not apply in this case. Badalamenti's response was not so evasive and misleading as to constitute a failure to respond. Badalamenti informed Hyde he was objecting to producing confidential documents except under a protective order. He also informed Hyde he would produce documents subject to the objection. Unlike *Bell*, there has been no clear misrepresentation that requested

documents did not exist. Also, in all of the cases adopting the broad construction of Rule 37(d), the sanctioned party withheld information from discovery with no justification. In this case, Badalamenti objected on the basis of confidentiality.

(A-9.)

III.

PETITIONERS' PROFFERED "CONFLICT AMONG THE FEDERAL CIRCUITS" HAS NO BEARING UPON THE HOLDING IN THIS CASE.

Petitioners suggest that there is a conflict among the circuits as to what constitutes failure to respond under Fed.R.Civ.P. 37(d). Petitioners, misstating the Sixth Circuit's subsequent holding in *Jackson v. Nissan Motor Corp.*, No. 88-6132 (6th Cir., October 30, 1989) (Lexis Gen. Fed. Library, Court's File), suggest that *Jackson* created a standard different from the existing Rule 37(d) standards of other circuits. Petitioners' *Jackson* arguments were presented to the Federal Circuit by a Petition by Defendants/Cross-Appellants for Rehearing and Suggestion for Rehearing In Banc. The Federal Circuit declined to reconsider or rehear the case.

Jackson neither timely responded nor objected nor produced critical evidence which was requested for inspection, and subsequently destroyed. This failure to respond or object was the basis for the Sixth Circuit's ruling in *Jackson*. Unlike *Jackson*, Respondent timely objected to Petitioners' request and adequately apprised Petitioners' counsel of the nature of his objection.

Assuming arguendo that there is a conflict among the circuits, this Court's resolution of that conflict,

even assuming adoption of the broad standard urged by Petitioners, would not affect the outcome of this case.

CONCLUSION

The questions presented by Petitioners have no relation to the facts or law in this case. Nothing in this case warrants review by this Court. This Court should, therefore, deny the Petition For Certiorari.

Respectfully submitted,

BROOKS & KUSHMAN

By: /s/ ERNIE L. BROOKS

Counsel of Record

/s/ EARL J. LAFONTAINE

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Dated: August 17, 1990



APPENDICES TO BRIEF IN OPPOSITION



APPENDIX A

DECISION

(United States Court of Appeals — Federal Circuit)

(Decided February 23, 1990)

(MICHAEL J. BADALAMENTI, Plaintiff-Appellant, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants/Cross-Appellants — Nos. 89-1460, -1528)

BEFORE: ARCHER, Circuit Judge,
BENNETT, Senior Circuit Judge,
and RE, Chief Judge.*

BENNETT, Senior Circuit Judge.

These consolidated appeals are from the May 8, 1989 order of the District Court for the Eastern District of Michigan, Southern Division, awarding the defendants (collectively "Hyde") \$100,000 as sanctions against the plaintiff (Badalamenti) and his attorney, Ernie L. Brooks (Brooks), for a discovery violation. In the same order, the district court also denied Hyde's motion for attorney fees pursuant to the exceptional case statute, 35 U.S.C. § 285 (1982). Badalamenti has appealed the award of sanctions, and Hyde has appealed the denial of its motion for attorney fees. We reverse the award of sanctions, vacate the denial of the motion for attorney fees, and remand.

* Edward D. Re, Chief Judge of the United States Court of International Trade, sitting by designation.

BACKGROUND

A.

THE PROCEDURAL HISTORY

Badalamenti sued Hyde for infringement of Badalamenti's U.S. Patent No. 4,335,529, for a traction device for shoes. The district court granted summary judgment for the defendants in February 1986, holding that there was no literal infringement and that the doctrine of prosecution history estoppel prevented a finding of infringement under the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, 230 USPQ 74 (E.D. Mich. 1986). This court vacated and remanded in an unpublished opinion. *Badalamenti v. Dunham's, Inc.*, 809 F.2d 789 (Fed. Cir. 1986) (Table, No. 86-1024).

In conducting discovery after the remand, Hyde determined that Badalamenti had withheld certain documents during previous discovery. Hyde moved under Fed. R. Civ. P. 37(d) for sanctions, including dismissal with prejudice and attorney fees and costs. In a Memorandum Opinion of December 17, 1987, the district court held that a discovery violation had occurred and that sanctions should be imposed. *Badalamenti v. Dunham's, Inc.*, 118 F.R.D. 437, 6 USPQ2d 1633 (E.D. Mich. 1987). The court denied the motion to dismiss and took the amount of monetary sanctions under consideration.

Subsequently, a jury trial on the merits took place. Hyde moved for a directed verdict on the issue of patent validity. The district court granted the motion, holding that the patent was invalid for obviousness under 35 U.S.C. § 103. *Badalamenti v. Dunham's, Inc.*, 680 F. Supp. 256, 6 USPQ2d 1626 (E.D. Mich. 1988). The court relied in part on certain prior art documents included in the material Badalamenti had withheld from earlier discovery. This court affirmed the obviousness determi-

nation in an opinion designated as unpublished. *Badalamenti v. Dunham's, Inc.*, 862 F.2d 322, 12 USPQ2d 1222 (Fed. Cir. 1988) (No. 88-1356), *cert. denied*, 109 S. Ct. 1955 (1989).

On May 8, 1989, the district court entered the appealed order, sanctioning Badalamenti and Brooks jointly and severally in the amount of \$100,000. *Badalamenti v. Dunham's, Inc.*, 125 F.R.D. 445, 12 USPQ2d 1223 (E.D. Mich. 1989).

B.

THE ALLEGED DISCOVERY VIOLATION

Soon after the lawsuit was filed, Hyde served a notice of deposition, which included a request under Fed. R. Civ. P. 30(b)(5) for the production of documents in a number of categories. Among the categories were documents directed to communications between Badalamenti and third parties relating to infringement charges by the plaintiff, replies to such charges, and offers to license the '529 patent. Badalamenti timely filed a response to the document requests. His response included a general objection, in which he objected to the production of documents containing confidential information. The objection further stated that Badalamenti would only produce confidential information pursuant to a protective order limiting the disclosure of such information to that necessary to Hyde in its defense of the action. Badalamenti's response to the document requests went on to state that responsive documents would be produced, subject to the general objections. He subsequently produced documents responsive to the requests, withholding certain documents he deemed confidential.

At the time the documents were produced, Badalamenti had twice written Nike, Inc., accusing it of infringing the '529 patent and offering a nonexclusive

patent license. Nike later wrote back calling attention to three prior art documents that Nike asserted invalidated the Badalamenti patent. Badalamenti then terminated discussions with Nike. The district court found that the Nike-related documents clearly fell within the categories of documents requested by Hyde.

Badalamenti did not produce the Nike documents when they were requested. In addition, at the deposition, Brooks instructed Badalamenti not to answer questions relating to "current contacts" with third parties in the absence of a protective order.

Later, Hyde independently discovered from Nike the existence of the correspondence between Badalamenti and Nike. Badalamenti then produced the documents, some two years after they were requested. In support of the motion for sanctions under Fed. R. Civ. P. 37(d), Hyde argued that if Badalamenti had produced the documents when requested, Hyde would have learned of the Nike prior art much earlier and would have moved for summary judgment of invalidity when it moved for summary judgment of noninfringement. According to Hyde, the district court would have held the patent invalid, as it later did, and Hyde would have avoided the expenses of a trial on the merits.

The district court granted Hyde's motion. 118 F.R.D. 437, 6 USPQ2d 1633. The court found that Badalamenti's failure to produce the requested documents without seeking a protective order violated the Federal Rules of Civil Procedure. The court stated that Hyde did not have the burden of seeking to compel the production of the documents because Badalamenti had failed to object to the discovery request. According to the court, Badalamenti did not notify Hyde that any documents sought were being withheld. The court characterized the

plaintiff's argument that he had served a written response as "semantic." The court stated that while some cases hold that Rule 37(d) applies only where there is a "total failure to respond," the majority view is that 37(d) sanctions should be imposed on a party whose evasive and incomplete responses impede discovery. The district court subsequently found that a \$100,000 sanction reflected a just portion of the defendants' reasonable expenses caused by Badalamenti's discovery violation. 125 F.R.D. at 448, 12 USPQ2d at 1226.

OPINION

I.

A district court has broad discretion in issuing sanctions for violations of the discovery rules. *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639, 643 (1976). The decision is reviewable only to determine whether the court abused its discretion. *Western Elec. Co. v. Piezo Technology, Inc.*, 860 F.2d 428, 430, 8 USPQ2d 1853, 1855 (Fed. Cir. 1988). An abuse of discretion may be found when (1) the court's decision is clearly unreasonable, arbitrary or fanciful; (2) the decision is based on an erroneous conclusion of the law; (3) the district court's findings are clearly erroneous; or (4) the record contains no evidence upon which the district court rationally could have based its decision. *Id.*

This case presents a procedural issue not unique to patent law. Therefore, the law of the regional circuit out of which the case is brought controls, which in this case is the Sixth Circuit. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75, 223 USPQ 465, 471 (Fed. Cir. 1984). When the regional circuit court has spoken on a legal issue, we must apply the law as stated; if the regional circuit court has not spoken, we must pre-

dict how that court would decide the issue in light of such criteria as the decisions of that circuit's district courts, other circuits' decisions, and public policy. *Id.* at 1575, 223 USPQ at 472.

A party served with a document request under Rule 30(b)(5) or Rule 34 is required to respond. "The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated." Fed. R. Civ. P. 34(b).

Rule 37 authorizes a court to award sanctions for discovery abuses. Rule 37(b) provides for sanctions where a party fails to comply with a discovery order. The district court in this case acknowledged that sanctions under this subdivision were unavailable because there was no discovery order that was violated. 118 F.R.D. at 439, 6 USPQ2d at 1634. Sanctions are also available under Rule 37(d) if a party fails to respond to discovery. The conduct addressed by Rule 37(d) pertinent to this case is the failure of a party "*to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request.*" Fed. R. Civ. P. 37(d) (emphasis added). Rule 37(d) further provides, "The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order as provided by Rule 26(c)."

The plain terms of the rules of civil procedure show that a party served with a document request has four options:

- (1) respond to the document request by agreeing to produce documents as requested (Fed. R. Civ. P. 34(b));

- (2) respond to the document request by objecting (Fed. R. Civ. P. 34(b));
- (3) move for a protective order (Fed. R. Civ. P. 26(c) and 37(d)); or
- (4) ignore the request.

If the party chooses the last option, he is subject to sanctions under Rule 37(d). However, if the party responds to the document request, even if he responds by objecting, Rule 37(d) sanctions are not available.

In this case, it cannot be disputed that Badalamenti served a response to Hyde's document requests in which he (1) objected to producing confidential information in the absence of a protective order and (2) agreed to produce the requested documents subject to the objection. Badalamenti served a response as required by Rule 34. Thus, Rule 37(d) does not authorize an award of sanctions in this case.

The district court erred as a matter of law in holding that Badalamenti violated the Federal Rules of Civil Procedure by failing to disclose or produce the documents without seeking a protective order. *See* 118 F.R.D. at 439, 6 USPQ2d at 1634; *see also* 125 F.R.D. at 446, 12 USPQ2d at 1224. In that ruling, the district court exceeded its discretion. The provision of Rule 37(d) relating to the failure to seek a protective order is applicable only where a party fails to act as described in the subdivision; that is, where the party fails to serve a response.

The district court justified its award of sanctions by relying on "the majority view" of Rule 37(d) that sanctions may be imposed where evasive or incomplete responses impede discovery. 118 F.R.D. at 439, 6 USPQ2d at 1635. Several courts hold that Rule 37(d) does not

authorize an award of sanctions unless there is a total failure to respond to the discovery requests. See *Fox v. Studebaker-Worthington, Inc.*, 516 F.2d 989, 995 (8th Cir. 1975); *Fjelstad v. American Honda Motor Co.*, 762 F.2d 1334, 1339-40 (9th Cir. 1985); *Southard v. Pennsylvania R.R.*, 24 F.R.D. 456 (E.D. Pa. 1959). Other courts award sanctions under Rule 37(d) where the evasive or misleading response is tantamount to no response at all. See *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F.2d 145, 155 (7th Cir. 1976); *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (E.D. Mich. 1978), *appeal dismissed*, 601 F.2d 587 (6th Cir.), *cert. denied*, 442 U.S. 918 (1979); *Fautek v. Montgomery Ward & Co.*, 96 F.R.D. 141 (N.D. Ill. 1982). See also *Minnesota Mining & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256, 1260, 225 USPQ 350, 352-53 (Fed. Cir. 1985) (rejecting the argument that interrogatory answers stating "unable to respond" was a response by which the party could avoid the sanction provisions of Rule 37(d)).

The Sixth Circuit has not spoken on this issue. The leading case out of the Sixth Circuit is *Bell*, 80 F.R.D. 228 (E.D. Mich. 1978). In *Bell*, the plaintiff served an interrogatory requesting identification of documents concerning racial data on the defendants' work force. The defendants represented that the only source of race information would be to telephone or visit employees listed on thousands of cardex cards. In fact, the defendants had compiled a "book of blacks" which contained the information sought by the plaintiffs. The court found that the defendants' responses were clear misrepresentations. *Id.* at 231. The court held that it had authority to sanction the plaintiffs under Rule 37(d) because the interrogatory answers the defendants gave were so misleading and evasive as to constitute a failure to answer. *Id.* at 232.

In this case, we need not decide whether the Sixth Circuit would adopt the broad construction of Rule 37(d). Even if the rule set forth in *Bell* is the law in the Sixth Circuit, it does not apply in this case. Badalamenti's response was not so evasive and misleading as to constitute a failure to respond. Badalamenti informed Hyde he was objecting to producing confidential documents except under a protective order. He also informed Hyde he would produce documents subject to the objection. Unlike *Bell*, there has been no clear misrepresentation that requested documents did not exist. Also, in all of the cases adopting the broad construction of Rule 37(d), the sanctioned party withheld information from discovery with no justification. In this case, Badalamenti objected on the basis of confidentiality.

Hyde argues on appeal that Badalamenti's response was misleading as to the very existence of the documents and that Hyde had no reason to move to compel production because it had no reason to know that Badalamenti was withholding information. However, Hyde knew that Badalamenti objected to producing confidential information. In addition, Hyde knew that Badalamenti was instructed not to answer deposition questions concerning "current contacts" but that he was willing to enter into a stipulated protective order. If Hyde wanted clarification of the objection or production of documents, it could have moved to compel under Rule 37(a) or stipulated to the protective order suggested by Badalamenti. Once Badalamenti complied with Rule 34 and made his initial response, the burden shifted to Hyde to move to compel if it deemed the responses inadequate. See 4A J. Moore & J. Lucas Moore's *Federal Practice* ¶ 37.05 at 37-119 to 37-121 (1989).

Hyde also argues on appeal that Badalamenti improperly characterized his Nike contacts as confidential. In

support of this argument, Hyde refers to a letter agreement that Nike apparently requires all of its solicitors to sign, which provides that disclosure of any idea to Nike is not made in confidence or on the basis of a confidential relationship. Hyde also cites correspondence between Badalamenti and New Balance in which Badalamenti stated that he was "speaking with Nike." The district court did not consider the merits of Badalamenti's confidentiality objection when it sanctioned him. See *Fjelstad*, 762 F.2d at 1339-40. Indeed, the district court inexplicably stated that Badalamenti "failed to object to defendants' discovery request." 118 F.R.D. at 439, 6 USPQ2d at 1635. In any event the evidence Hyde cites does not demonstrate that the communications between Badalamenti and other shoe companies were not confidential to other parties (such as Hyde), even if there was no "confidential relationship" that could give rise to liability if a company appropriated Badalamenti's ideas.

Finally, Hyde argues that the district court has the inherent authority to sanction Badalamenti for discovery violations, even if there is no authority under Rule 37(d). However, as discussed above, Badalamenti's response complied with the discovery rules. In addition, he did not clearly misrepresent the existence of the documents withheld. In this case, where there has been no discovery violation or abuse, the district court went beyond its inherent authority in sanctioning Badalamenti for his conduct. See *Fjelstad*, 762 F.2d at 1338.

The district court abused its discretion in ruling that Badalamenti had violated the discovery rules. As a matter of law, Badalamenti's response to the document requests complied with the rules, and the district court had no authority to sanction Badalamenti or his attorney, Brooks. Therefore, we reverse the award of sanctions.

II.

Hyde's cross-appeal is from the district court's denial of its motion for attorney fees under 35 U.S.C. § 285. Section 285 provides that the court may award reasonable attorney fees to the prevailing party in exceptional cases. Hyde has argued that Badalamenti's misconduct throughout the proceeding demonstrated that the case was exceptional and that an award of attorney fees was warranted. Badalamenti in turn argued that it committed no misconduct and that the district court did not err in finding that the case was not exceptional and in not awarding attorney fees.

The district court did not make any findings on the exceptional case issue and did not explain the basis for its denial of Hyde's request for attorney fees. Therefore, we are unable to review the decision of the district court on this issue. We vacate that portion of the judgment denying an award of attorney fees and remand for findings on the exceptional case issue as well as subsidiary findings reflecting the court's reasons underlying its exercise of discretion in awarding or denying attorney fees in light of its findings. A remand in this case is unfortunate; however, neither party apparently gave the district court the opportunity to expand or clarify its decision respecting attorney fees. See *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1572, 7 USPQ2d 1606, 1610 (Fed. Cir. 1988). The finding of "exceptional case" is one of fact, and must be made in the first instance by the district court. *Id.* at 1573, 7 USPQ2d at 1611. See also *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201, 228 USPQ 367, 369 (Fed. Cir. 1986).

Our decision should in no way be construed as suggesting that the case should be found exceptional. The purpose of section 285 "is to provide discretion where it

would be *grossly unjust* that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear." *J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1052, 3 USPQ2d 1235, 1239 (Fed. Cir. 1987) (emphasis in original). Hyde has the burden of proving by clear and convincing evidence that this is an exceptional case. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582, 226 USPQ 821, 824 (Fed. Cir. 1985). As we have repeated "[t]here must be some finding of unfairness, bad faith, or inequitable conduct on the part of the unsuccessful patentee." *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 713, 218 USPQ 969, 976 (Fed. Cir. 1983); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1085, 5 USPQ2d 1600, 1603 (Fed. Cir. 1988). The primary basis for Hyde's request for attorney fees was the alleged discovery abuse. As we have held above, there was no discovery violation, and so this aspect of the exceptional case issue is no longer in question.

In addition, even if the case is found to be exceptional, the district court in its discretion may decline to award attorney fees. As we stated in *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1215, 2 USPQ2d 2015, 2020 (Fed. Cir. 1987), "[a]fter the district court determines that a case is exceptional, there remains in every case its freedom to exercise its discretion 'informed by the court's familiarity with the matter in litigation and the interest of justice.'" [Quoting *S.C. Johnson*, 781 F.2d at 201, 228 USPQ at 369.] See also *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 13 USPQ2d 1301 (Fed. Cir. 1989).

COSTS

Hyde shall bear the costs of both appeals.

REVERSED-IN-PART, VACATED-IN-PART, AND
REMANDED

APPENDIX B

MEMORANDUM OPINION

(United States District Court —
Eastern District of Michigan —
Southern Division)

(Filed: December 17, 1987)

(MICHAEL J. BADALAMENTI, Plaintiff, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants — Civil Action No. 85-71040; Hon. John Feikens)

Plaintiff brought this action against defendants for infringement of his patent, a device for shoes designed to aid traction for quick turns or cuts during outdoor athletic activity.

On February 4, 1986, I entered a Memorandum Opinion granting defendants' motion for summary judgment. I held that there was no literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. at 3-6 (E.D. Mich. Feb. 4, 1986).

The United States Court of Appeals for the Federal Circuit reversed, based on my application of file wrapper estoppel, and remanded for determination of "fact questions which must be resolved in order to construe the claims and to determine whether prosecution history estoppel is applicable." *Badalamenti v. Dunham's, Inc.*, Nos. 86-1024 and 86-1064, slip op. at 5-6 (Fed. Cir. Dec. 18, 1986).

In conducting discovery after remand, defendants discovered that plaintiff had negotiated with Nike (a manufacturer of athletic shoes) regarding possible prior art by Nike. Plaintiff disclosed documents relating to the "Nike talks" in May, 1987 — after defendants learned of the talks from Nike officials. Defendants claim that plaintiff should have produced the documents in response to a request for production of documents filed two years earlier. Defendants filed a Rule 37 motion for dismissal with prejudice and for attorney fees and costs.

After an evidentiary hearing, I granted defendants' motion as to costs and attorney fees but denied it as to dismissal. Before me now is defendants' Petition for an Award of Attorney Fees and Costs of \$154,527.23.

From March through August, 1985, plaintiff's current counsel communicated with Nike. Initially, plaintiff's counsel charged that some of Nike's shoes infringed plaintiff's patent and offered to license Nike. Nike responded that its shoes had been on the market more than a year before plaintiff obtained his patent and that such shoes (as well as other prior art) invalidated plaintiff's patent. After receiving Nike's response, plaintiff's counsel terminated discussions with Nike.

On April 15, 1985, defendants noticed plaintiff's deposition for May 10, 1985. In the body of the notice is a request "to produce for inspection and copying, immediately prior to said deposition, . . . the documents and things identified in Schedule A hereto." Within Schedule A are the following two relevant requests:

Request #10: All communications between plaintiff and other persons, and all other documents and things, relating to infringement, charges of infringement made by plaintiff, and replies to charges of infringement by said other persons, with regard to U.S. Patent 4,335,529.

* * *

Request #17: All communications between plaintiff and other persons, and all other documents and things, relating to any offer to license U.S. Patent 4,335,529.

On May 21, 1985, plaintiff filed a response in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987. Plaintiff never moved for a protective order regarding the Nike documents.

Plaintiff's counsel argues that he had no obligation to file for a protective order and that he complied fully with the Federal Rules of Civil Procedure regarding discovery.

I find that a party's failure to disclose or produce material sought in a proper discovery request, without seeking a protective order, violates the Federal Rules of Civil Procedure.

Defendants bring their motion under Fed. R. Civ. P. 37(b). That rule is inapplicable here because it engages only where a party "fails to obey an order to provide or permit discovery" Here, there was no court order compelling plaintiff to answer Requests 10 and 17. I have inherent authority, and responsibility, however, to impose sanctions whenever necessary to enforce adherence to the Federal Rules of Civil Procedure. *Cf. Herbert v. Lando*, 441 U.S. 153, 157 (1979); *United States v. American Telephone & Telegraph Co.*, 86 F.R.D. 603, 656 (D.D.C. 1980).

The applicable Federal Rules of Civil Procedure are Rules 34(b) and 37(d). Rule 34(b) states:

The response [to a request for production of documents] shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objection shall be stated. If objection is made to part of an item or category, the part shall be specified.

Plaintiff relies on language in Rule 34(b) that allows "the party submitting the request" to move the court, pursuant to Rule 37(a), for an order compelling discovery "with respect to any objection to or other failure to respond to the request" Plaintiff argues this language places on the party seeking discovery the burden of obtaining a court order to secure documents arguably within its discovery request.

Plaintiff forgets that he failed to object to defendants' discovery request. Defendants never inherited the burden of obtaining a court order to compel discovery because plaintiff did not properly notify defendants that any documents sought were being withheld.

Rule 37(d) provides for the imposition of "such orders . . . as are just" to punish "a party [who] fails . . . to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request" Alternatively, or in addition, "the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure" Fed. R. Civ. P. 37(d).

Plaintiff's claim that he served "a written response" to defendants' request pursuant to Rule 37(d) is semantic. While there are some cases holding that Rule 37(d) applies only to "total failure to respond," e.g., *Fox v. Studebaker-Worthington, Inc.*, 516 F.2d 989, 995 (8th

Cir. 1975), the majority view is that Rule 37(d) sanctions should be imposed on a party whose evasive or incomplete answers to proper interrogatories impede discovery. *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 232 (1978) (Joiner, J.), *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F.2d 145, 155 (7th Cir. 1975).

Plaintiff argues he was not obligated to disclose the Nike discussions because they are privileged. Plaintiff cannot now be heard to assert privilege when he failed to do so in response to the original request for production. The plain language of the last paragraph of Rule 37(d), added by the 1970 amendment, commands this conclusion:

The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order

A contrary rule would frustrate the purposes of discovery. A party could effectively avoid discovery by furnishing all "non-privileged" material while withholding, and failing to disclose the existence of, material which he subjectively deems "privileged."

Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective order. Such behavior is intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.

Defendants argue that had plaintiff disclosed and produced the Nike documents in 1985, the whole course of this litigation would have changed. Defendants suggest they would have deposed the Nike officials and made a meritorious motion for summary judgment, or that the United States Court of Appeals for the Federal Circuit would have had all the necessary facts before it to dispose of the matter without remanding it here. They move for all costs and attorney fees incurred between May 20, 1985 and May 15, 1987.

For the foregoing reasons I am of the opinion that costs and attorney fee sanctions against plaintiff and plaintiff's counsel, pursuant to Rule 37(d), should be imposed.

Defendants' effort to secure all costs and attorney fees incurred following plaintiff's failure to disclose the Nike talks is premature. For defendants to recover the entire award they seek, a jury must first determine that the Nike art was prior to plaintiff's patent and that it invalidated plaintiff's patent.¹ Without such a jury finding, defendants cannot prove that disclosure and/or production would have changed the course of this litigation.

Accordingly, Defendants' Petition for an Award of Attorney Fees and Costs is TAKEN UNDER ADVISEMENT until after the jury verdict in this cause.

/s/ John Feikens

United States District Judge

Dated: December 17, 1987

(Certification Omitted)

¹ I will pose a special jury question to this effect.

APPENDIX C

MEMORANDUM OPINION AND ORDER

(United States District Court —
Eastern District of Michigan —
Southern Division)

(Dated: May 8, 1989)

(MICHAEL J. BADALAMENTI, Plaintiff, v. DUNHAM'S, INC., KINNEY SHOE CORPORATION, and HYDE ATHLETIC INDUSTRIES, INC., Defendants — Civil Action No. 85-71040; Hon. John Feikens)

Plaintiff initiated this patent infringement case on March 7, 1985, alleging defendants had violated his patent for a "traction device for shoes." U.S. Patent No. 4,335,529, issued June 22, 1982. I granted summary judgment for the defendants on February 4, 1986. I held that there was no literal infringement and that the doctrine of file wrapper estoppel prevented a finding of infringement based on the doctrine of equivalents. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. at 3-6 (E.D. Mich. Feb. 4, 1986). The United States Court of Appeals for the Federal Circuit reversed and remanded for the determination of certain facts. *Badalamenti v. Dunham's, Inc.*, Nos. 86-1024 and 86-1064.

I.

DISCOVERY VIOLATION

While conducting discovery after remand, defendants found that plaintiff had omitted information defendants had requested in discovery before summary judgment. I

held an evidentiary hearing on defendants' resulting motion for dismissal with prejudice, and for attorney's fees and costs. In my Memorandum Opinion of December 17, 1987, I held that under Rule 37(d) of the Federal Rules of Civil Procedure, sanctions should be imposed against plaintiff and plaintiff's attorney. *Badalamenti v. Dunham's, Inc.*, 118 F.R.D. 437 (E.D. Mich. 1987). I denied the motion to dismiss.

I will briefly reiterate the basis for my decision to impose Rule 37(d) sanctions upon plaintiff and his attorney. In April, 1985, defendants noticed Badalamenti's deposition. This notice requested the production of, *inter alia*, all communications between plaintiff and other persons, and all other documents, relating to infringement charges by plaintiff, replies to such charges, and offers to license Badalamenti's patent. See *Badalamenti v. Dunham's, Inc.*, *id.* at 438-439. Despite this discovery request, and similar deposition questions, plaintiff did not disclose the fact that he was in the midst of negotiations with Nike at that time.

From March to August of 1985, plaintiff, through his current counsel, negotiated with Nike, Inc. ("Nike"). He charged that Nike infringed his patent, and offered to license Nike. When Nike responded that its shoes, as well as other prior art, invalidated Badalamenti's patent, plaintiff's counsel terminated discussions with Nike and no longer pressed Badalamenti's patent claims. *Badalamenti, supra*, 118 F.R.D. at 438. Badalamenti did not produce this correspondence with Nike, as defendants requested. At his May 10, 1985 deposition, Badalamenti repeatedly refused to answer questions regarding his negotiations, on the advice of his counsel, Ernie L. Brooks. *Deposition of Michael J. Badalamenti* at 80-83, attached as Exhibit Q to *Defendants' Motion*

for Dismissal with Prejudice and for Attorney's Fees Pursuant to Rule 37, Fed. R. Civ. P.

Plaintiff did not disclose these discussions with Nike, or produce the documents bearing on them, until two years later, after defendants had independently discovered the Nike negotiations. Plaintiff and his attorney violated the Federal Rules of Civil Procedure when:

On May 21, 1985, plaintiff filed a response [to defendants' request for production of documents] in which he promised to search for and produce "all relevant, non-privileged documents." However, plaintiff did not disclose that he had discussions with Nike, nor did he produce the documents bearing on the Nike talks, until May 15, 1987. Plaintiff never moved for a protective order regarding the Nike documents.

Badalamenti, supra, 118 F.R.D. at 439.

I find that these failures to disclose the ongoing Nike communications constituted willful bad faith breaches of the Federal Rules of Civil Procedure by both Badalamenti and his counsel. As I stated in my previous opinion:

Here, plaintiff's and plaintiff's counsel's behavior was inexcusable: they must have realized that the Nike documents fit clearly within the category of material described in defendants' request; they failed to produce, or even disclose the existence of, the Nike documents; and they made no objection, timely assertion of privilege, or motion for a protective order. Such behavior is intolerable because it defies the Federal Rules of Civil Procedure and threatens the effectiveness of our discovery rules.

Badalamenti, supra, 118 F.R.D. at 440.

Therefore, I hold Badalamenti and his counsel, Brooks, jointly and severally liable for Rule 37(d) sanctions, as contemplated by the language of that rule. *Cf. Roadway Express, Inc. v. Piper*, 447 U.S. 752, 766 (1979) (In discussing the Court's inherent powers, the Court stated, "If a court may tax counsel fees against a party who has litigated in bad faith, it certainly may assess those expenses against counsel who wilfully abuse judicial process." Footnote and citation omitted.)

II.

DIRECTED VERDICT

Although I held on December 17, 1987 that Rule 37(d) sanctions should be imposed, I took the issue of the amount of sanctions under advisement until after the impending jury trial. On January 21, 1988, I directed a verdict for the defendants. *Badalamenti v. Dunham's, Inc.*, No. 85-71040, mem. op. (E.D. Mich. Feb. 19, 1988). This directed verdict was affirmed on appeal. The information plaintiff withheld regarding the Nike patents contributed to my decision to direct a verdict for defendants based on the obviousness of plaintiff's patent.

In directing this verdict, I found that plaintiff's device failed to meet a condition of patentability contained in 35 U.S.C. § 103, nonobviousness. This statute states in relevant part that:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter are such that the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary

skill in the art to which said subject matter pertains

35 U.S.C. § 103.

I held that given the prior art contained in Nike's patents, as well as in four other patents, the differences between this prior art and Badalamenti's device would have been obvious to one reasonably skilled in this art at the time of Badalamenti's invention. *Badalamenti, supra*, mem. op. of Feb. 19, 1988. Plaintiff's claimed invention was an angled traction surface composed of nubs for athletic shoes. *Id.* at 11. "The traction surfaces are located above the bottom of the sole at an acute angle to it and are located along both sides of the shoe from the forward portion of the heel to the toe area. They provide traction when the shoe is rotated horizontally." *Id.*

In granting the directed verdict, I stated that, "[t]he single most relevant prior art is the Bowerman patent. The differences between the Bowerman patent and the plaintiff's invention are minimal or nonexistent." *Id.* at 16. However, the differences between the Nike patents and Badalamenti's device were also negligible:

The Nike shoes show an angled traction device on the side of the shoes which provides traction when the shoe is rotated. . . . The cleats on the wrapped portion of the sole provide traction when the shoe is rotated as the person changes direction. Both plaintiff's expert witnesses, Ali and Montgomery, testified on cross-examination that the Astro-grabber [a Nike patent] provides traction when the shoe is rotated laterally (citation omitted).

Id. at 13.

While the information which plaintiff withheld

regarding the Nike patents was not the sole basis of my directed verdict, it went directly to the issue of obviousness. Plaintiff concealed information bearing directly on the validity of his patent, the basis of his suit.

III.

RULE 37(d) SANCTIONS

On January 30, 1989, after the directed verdict was affirmed, I held another hearing on the amount of Rule 37(d) sanctions to be imposed. I now take up this issue of the amount of Rule 37(d) sanctions to impose, jointly and severally, upon plaintiff Badalamenti and his attorney, Ernie L. Brooks.

In relevant part, Rule 37(d) provides:

In lieu of any order or in addition thereto, the court shall require the party failing to act or the attorney advising that party or both to pay the reasonable expenses, including attorney's fees, caused by the failure unless the court finds that the failure was substantially justified or that the other circumstances make an award of expenses unjust.

I must now decide what part of defendants' reasonable expenses were caused by plaintiff's failure to disclose the Nike correspondence. Defendants submitted the affidavit of their attorney, David Wolf, along with detailed information regarding their costs in this case. Wolf asserted that defendants would have incurred no expenses after January 1, 1987 if plaintiff had disclosed the Nike information when requested. *Affidavit of David Wolf* at 4. Wolf assumed that defendants would have moved for summary judgment on the basis of the Nike

prior art, rather than on the doctrine of equivalents; that I would have granted such a motion; and that this grant would have been affirmed at approximately the same time the actual grant was reversed. Defendants seek all expenses incurred after January 1, 1987, approximately \$348,220. *Id.* at 7. This figure includes defendants' costs through November, 1988.

In his response to Wolf's affidavit, Badalamenti conceded only that defendants were entitled to the fees they incurred in their own investigation of the Nike communication, "something less than \$175." *Badalamenti's Response to the December 18, 1988 Affidavit of David Wolf* at 5. Badalamenti argued that defendants did not move for summary judgment when they received the Nike information, so I should not credit Wolf's hypothesis about what would have happened. Plaintiff also urged me not to exercise my discretion to include defendants' costs of bringing this Rule 37 motion in this sanction. *Id.* at 6.

Subsequently plaintiff argued that I should only consider the expenses incurred by defendants after January 1, 1987, and before April 22, 1987, approximately \$44,449. *Plaintiff's Memorandum as to Amount of Award* at 3-4. Plaintiff reasoned that defendants did not seek expenses incurred before January 1, 1987 and the omission did not cause further expense after defendants independently discovered the Nike correspondence on April 22, 1987. *Id.*

Plaintiff further argued that I should not even assess the \$44,449. Badalamenti asserted that to award *any* expenses incurred after January 1, 1987, I would have to conclude that I would have granted summary judgment on the basis of the Nike prior art alone. *Id.* at 4-5. Badalamenti argued that because it is impossible to determine what would have happened differently without the discovery violation, defendants suffered no harm and I should assess no sanctions. *Id.* at 5. I disagree.

I may not, and do not now, impose sanctions beyond those costs incurred by defendants and caused by plaintiff's misconduct. However, sanctions serve purposes in addition to compensation; discovery sanctions also protect the judicial system. "The function of imposing sanctions is to assure both future compliance with the discovery rules and to punish past discovery failures, as well as to compensate a party for expenses incurred due to another party's failure to properly allow discovery." *Bell v. Automobile Club of Michigan*, 80 F.R.D. 228, 229 (E.D. Mich. 1978) *appeal dismissed* 601 F.2d 587, *cert. den.* 442 U.S. 918. "Rule 37 sanctions must be applied diligently both 'to penalize those whose conduct may be deemed to warrant such a sanction, [and] to deter those who might be tempted to such conduct in the absence of a deterrent.'" *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 763-764 (1979) (citing *Nat'l Hockey v. Metropolitan Hockey Club*, 427 U.S. 639, 643 (1975)).

I will not ignore the mandate of Rule 37(d) merely because plaintiff withheld this information for two years, and thereby made it difficult to assess the precise expense caused by this omission. Plaintiff withheld information directly bearing on the validity of his claim; the effect of this willful bad faith violation permeated this case. Plaintiff should not benefit from the fact that the nature of his violation made it difficult to determine the exact expense caused by the violation. I may impose costs without specifically listing each expense awarded. *Bell v. Automobile Club of Michigan*, *supra*, at 235.

Defendants have incurred at least \$100,000 in bringing this Rule 37(d) motion alone. These expenses are clearly traceable to plaintiff's misconduct. Even before the directed verdict, defendants incurred expenses in bringing their initial motion for sanctions. I granted the directed verdict on January 21, 1988, and was affirmed

on appeal. From February, 1988 through November, 1988, defendants accrued expenses of approximately \$92,196. *Affidavit of David Wolf*, Exhibit B. Defendants have undoubtedly incurred further expense in pursuing these sanctions after November, 1988 until the present. Therefore, I find that defendants' costs in bringing this Rule 37(d) motion alone total at least \$100,000.

I find that a \$100,000 sanction reflects a just portion of the reasonable expenses caused by plaintiff's violation. As in *Bell v. Automobile Club of Michigan*, *supra*, at 235, plaintiff was in an excellent position to avoid the costs accrued for the sanctions process, after the wrongdoing was discovered. It is clear that plaintiff's misconduct needlessly caused additional discovery expense and attorney's fees. There is no reason to assume that this damage ceased when defendants discovered the violation. Given these and all of the other circumstances of this case, I find \$100,000 a just sanction.

Accordingly, defendants' motion for fees and costs pursuant to Rule 11 of the Federal Rules of Civil Procedure and 35 U.S.C. § 285 is DENIED. Defendant Hyde's motion for attorney's fees and costs pursuant to Rule 37 of the Federal Rules of Civil Procedure is GRANTED, defendant Hyde to recover from plaintiff Michael J. Badalamenti and attorney Ernie L. Brooks, jointly and severally, \$100,000.

IT IS SO ORDERED.

/s/ John Feikens

United States District Judge

Dated: May 8, 1989

(Certification Omitted)